

**STRATEGIC POLICY FRAMEWORK FOR STRENGTHENING
THE POTENTIAL OF SMALL AND MEDIUM ENTERPRISES
TOWARD ASEAN ECONOMIC COMMUNITY**

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**A Dissertation Submitted in Partial
Fulfillment of the Requirements for the Degree of
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ABSTRACT

Title of Dissertation	Strategic Policy Framework for Strengthening the Potential of Small and Medium Enterprises Toward ASEAN Economic Community
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This dissertation aimed to 1) analyze the environment of Thailand's Small and Medium Enterprises (SMEs) promotion policy in the past and the present SMEs promotion plans in order to learn about its environment, 2) evaluate the outcomes of the SMEs promotion policy in the past and the present Thai SMEs promotion plans in order to know the policy outcomes and its relationship with the key stakeholders' roles in the public and the private sectors, 3) analyze and evaluate the potential of Thai SMEs in competing in the ASEAN Economic Community (AEC), and 4) propose a strategic policy framework for strengthening the potential of SMEs toward the AEC, and the latest accurate in-depth information that will benefit both the public and the private sectors responsible for promoting and formulating the strategic policy to support Thai SMEs.

In the research, the environment of the policy was analyzed by applying the Kaplan and Norton's Balanced Scorecard Perspectives and the SWOT analysis. The policy was evaluated by using the North American Stakeholder Model, and the SMEs' potential was analyzed and evaluated by using the Malcolm Baldrige National Quality Award (MBNQA), food manufacturing standards, and food safety. The data for this qualitative research were collected from related documents, in-depth interviews, and focus group. The data accuracy was checked by using the triangulation method which allowed related individuals to verify the truthfulness. The in-depth interview was conducted with the key informants in the public sector, i.e.,

the top and middle administrators from the Office of SMEs Promotion, the Ministry of Industry, the Ministry of Commerce, the SME Bank, and the EXIM Bank, and those in the private sector, i.e., entrepreneurs in food SMEs industry who received SMEs National Awards. The participants of the focus group were general SMEs entrepreneurs.

The policy evaluation showed that the public sector recognized the importance of the need for SMEs development and promotion; however, the manufacturing sector was the only focus. The SMEs promotion policy could not be accomplished due to the limited budget, lack of promotion direction, and unsystematic coordination and cooperation. The potential analysis confirmed that the private sector has played an important role in propelling the economy. In general SMEs have encountered the problems of the lack of 1) in-depth marketing information, 2) technology development, innovation, and research to add value to food industry, 3) development and understanding of continued networking, and 4) realization and recognition of good governance in business. Therefore, both the public and the private sectors need to coordinate in manufacturing based on the following 6 success factors: 1) Management quality 2) International standards 3) Safety 4) Value added 5) Marketing, and 6) Collaborative network. These factors will enable SMEs to adapt themselves for survival, continuous growth, and sustainability.

The following policy recommendations were made: 1) the government needs to develop the national database of SMEs, 2) the coordinating office for SMEs needs to be founded in order to enhance the policy networking collaboration, 3) the administrators and officers responsible for SMEs must work honestly and earnestly, and should be knowledgeable and understanding about SMEs, 4) the government must have a clear policy and promote SMEs continuously, and 5) the public and the private sectors in charge of developing SMEs must constantly receive adequate resources that correspond with the SMEs promotion plan and necessary information via Information and Communication Technology (ICT), electronic media, telecommunication, and innovation.

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CHAPTER 1

INTRODUCTION

1.1 Statement of the Problem

Small and Medium Enterprises (SMEs) are important economic units for economic growth and social development of all countries around the world, especially developing countries. SMEs account for approximately 99% of businesses and are the main production units that generate 39% of the Gross Domestic Product (GDP) and 77% of employment, and approximately 29% of export value (The Office of SMEs Promotion, 2007a). Moreover, SMEs tie local economy together because of their use of local material, labor, markets, and public services. They use raw materials produced by farmers and generate regional employment, so they also support rural development and help expand the prosperity to the regions.

SMEs have been a vital mechanism in sustainable development in both micro and macro economic sectors; therefore, the government passed the Small and Medium Enterprises Promotion Act of 2000 as well as established the Office of SMEs Promotion which is responsible for promoting SMEs in the country. With the approval of the Cabinet, the SMEs Promotion Committee was assigned to formulate policies and plans to support SMEs. Three plans proposed by the Committee were the SMEs Promotion Plan No.1 (2002-2006), SMEs Promotion Plan No.2 (2007-2011), and SMEs Promotion Plan No.3 (2012-2016). Furthermore, many public and private organizations have assisted in promoting the SMEs in many aspects (The Office of SMEs Promotion, 2007a), such as evaluating SMEs, conducting research, comparing statuses, strategies, and measures of Thai SMEs with Those in other countries, and organizing seminars to exchange ideas and to get some recommendations.

The world now meets with dynamic changes in economy, society, population, and environment. There has also been high competition among countries in the world due to scarcity of resources and natural disasters, which have affected many nations.

In Thailand, government policy that has affected business enterprises is the 300 baht minimum wage policy. This policy has caused a heavy burden to Thai entrepreneurs in terms of rising expenses. According to the Office of SMEs Promotion, there are 2 groups of SMEs (1) 582,236 SMEs registered as corporates in 2010 and 599,389 in 2011, an increase of 2.9%. (2) 2,342,676 unregistered SMEs in 2010 and 2,053,465 in 2011, a decrease of 12.3%. The total number of SMEs in 2011 was 2,652,854, with 272,058 SMEs being closed down, or 9.3% drop from 2010. Consequently, the GDP of 2007-2011 in the SMEs sector decreased from 3,859,587.6 million baht, or 36.6% of the GDP in 2010 to 2,583,873.4 million baht, or 24.5% of the GDP in 2011, showing the reduced growth rate at 1.7% of the GDP. The percentages of GDP from 2007 to 2011 decreased at 38.7, 38.1, 37.8, 37.1 and 36.6%, respectively. (Figure 1.1)

It can be clearly seen that while the growth rate of large-scale businesses and agricultural produces tend to increase or stay steady, the growth rate of SMEs tend to decrease. However, SMEs' vital role in generating GDP has made them the engine of growth in the national economy. (The Office of SMEs Promotion, 2012b)

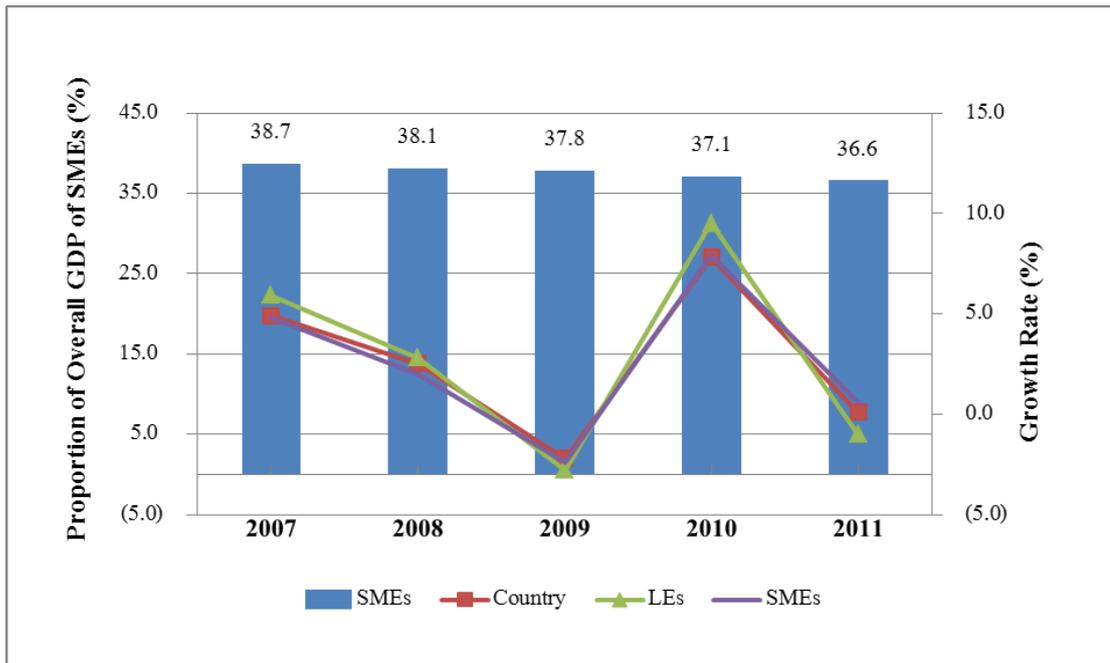


Figure 1.1 Trend of the Proportion of SMEs' GDP and the Growth Rate of GDP Based on the Size of the Enterprises from 2007-2011

Source: The Office of SMEs Promotion, 2012b.

Nevertheless, because of the business size, less fund, and limited access to information, SMEs' ability to adapt themselves is lower than large-scale industries (Grimm, Lee, & Smith, 2006) In Thailand, although the Thai government sees the importance of SMEs, it cannot provide enough services, such as personnel development, counseling, product and service quality test, and information for SMEs promotion, to a vast number of SMEs all over the country because of limited budget and manpower. Even though the government has been trying to support SMEs to be competitive in the AEC, one of the problems is that the public agencies responsible for promoting SMEs do not provide adequate information to SMEs, so they had no idea about the SMEs promotion policy or plans which will benefit them, neither do they know the problems or needs of SMEs in each area.

In Thailand, the industrial sector plays a major part in generating employment and mainly GDP of the country (Ministry of Industry, 2011). Industrial development concentrates in economic industrial clusters, particularly industries that use local resources. Since the industrial sector has major influence on the Thai economy, the paradigm and direction of industrial development must be determined in line with the global context. The paradigm should encompass innovation, knowledge, and technology as well as increase of potential in order for Thailand to be able to compete at the global level. Moreover, the national policy needs to be adjusted with emphasis on developing the country's industry with focus on good quality and fulfillment of the needs of the consumers. Lastly, the support systems and capability should be developed to be able to compete in the international arena.

With regard to SMEs in the industrial sector, food industry tends to expand in Asia. Because of the increasing population, the need for food is greater (Ministry of Industry, 2011). Food industry in Thailand has high potential due to the plentiful resources from agriculture, livestock, and fishery. The ability to create or process products to meet the need of the market inside and outside the country makes Thailand very competitive in the region.

Thailand is part of the AEC which consists of 10 countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam). Joining the AEC is a golden opportunity for the Thai economy. Thai SMEs in food business will also be positively affected. SMEs in food industry will benefit from the added value from modern production processes, technology and effective manufacture. Thailand enjoys a revealed comparative advantage (RCA) in food industry, which continuously creates a surplus balance of trade. It benefits from production for export because it can produce more supply of goods than the demand in the country and because its industries rely mainly on the resources from inside the country. In fact, Thai food industry earns at least 92,638.47 million baht each year and most food manufacturers (99.6%) are SMEs (The Office of SMEs Promotion, 2012b).

Joining the AEC makes it necessary for Thailand to change from the close environment system to the open one, in which all countries can trade freely. Especially, if the government strengthens food industry and improves SMEs potential, SMEs in this field will grow strong with the capability to compete. However,

competitions in the region will cause disadvantages for the member countries, which is considered a threat to SMEs. In order to survive, Thai SMEs must be able to access potential-promoting services or adapt themselves to competitions among SMEs in the ASEAN region. A potential-promoting policy for SMEs to stay competitive is very vital, and so is policy evaluation. In order to know the outcomes of the SMEs promotion, the study of the roles of key stakeholders in both the public and the private sectors is necessary Thailand's economic, cultural, and complicated political contexts, in which stakeholders are the main drivers of the projects, (Guba and Lincoln, 1981: 33ff, 1989: 50ff) must be taken into consideration.

In summary, there needs to be a study of strategic policy in for strengthening the potential of SMEs toward the AEC. The evaluation of the policy outcomes must be made using the stakeholders model in order to reveal issues, concerns, and the results of the policy. Potential of Thai SMEs in the AEC should be evaluated, using Malcolm Baldrige National Quality Award (MBNQA), food manufacturing standards, and food safety so that the findings can be used to formulate a strategic policy toward framework for strengthening the potential of SMEs toward the AEC to promote Thai SMEs to be more competitive at the national and international levels which will eventually bring prosperity to the country's economy.

1.2 Objectives of the Research

- 1) To analyze the environment of Thailand's SMEs promotion policy in the past and the present SMEs promotion plans.
- 2) To evaluate the outcomes of the SMEs promotion policy in the past and the present Thai SMEs promotion plans.
- 3) To analyze and evaluate the potential of Thai SMEs in competing in the AEC.
- 4) To propose a strategic policy framework for strengthening the potential of SMEs enterprises toward the AEC.

1.3 Research Questions

Table 1.1 Research Questions

Research Objectives	Research Questions
1) To analyze the environment of Thailand's SMEs promotion policy in the past and the present SMEs promotion plans.	1.1) What has the policy specified in the past and the present SMEs promotion plans? 1.2) What was the environment of Thailand's SMEs promotion policy during the implementation of the SMEs promotion plans?
2) To evaluate the outcomes of the implementation of Thailand's SMEs promotion policy in the past and the present SMEs promotion plans.	2.1) What were the issues and concerns of the key stakeholders in policy implementation? 2.2) How were the outcomes of the policy in each plan and why was it so? 2.3) How was the relationship between the key stakeholders in the public and the private sectors? 2.4) How did the roles of the key stakeholders in the public and the private sectors influence the SMEs promotion policy?
3) To analyze and evaluate the potential of Thai SMEs in competing in the AEC.	3.1) How is the potential of the Thai SMEs in competing in the AEC?
4) To propose a strategic policy framework for strengthening the potential of SMEs toward the AEC.	4.1) What is a suitable strategic policy framework for strengthening the potential of SMEs the AEC?

1.4 Methodology

The qualitative research based on the phenomenological paradigm was conducted in order to examine the roles of the key stakeholders in the SMEs promotion policy and to analyze and evaluate the potential of Thai SMEs in competing in the AEC. The secondary data were collected from related documents prepared by policy makers as well as from other reliable sources. The primary data were collected by face-to-face in-depth interviews of key informants and by focus group with the use of open-ended interview forms.

In the in-depth interviews and focus group, the key informants were key stakeholders of the SMEs promotion policy who were asked to evaluate the outcomes of the policy and to assess the potential of SMEs. The key informants in the in-depth interviews were SMEs entrepreneurs in food industry who received the SMEs National Awards, while the key informants in the focus group included SMEs entrepreneurs in food industry that did not receive any SMEs National Awards and SMEs entrepreneurs in general. The secondary data came from stakeholders in the public and the private organizations who were engaged in the policy. The research tools were interview forms with open-ended questions, specifically designed to suit the interviewees from both the public and the private sectors. The number of the questions for different stakeholders varied, depending on the different roles of the stakeholders in the SMEs promotion policy.

1.5 Scope of the Research

This research aimed to study the SMEs promotion policy in the past and the present SMEs promotion plans which were approved by the SMEs promotion committee. They were the SMEs Promotion Plan No.1 (2002-2006), SMEs Promotion Plan No.2 (2007-2011), and SMEs Promotion Plan No.3 (2012-2016). Although Thai SMEs could be found in various types of industry, the only one type was to study its general environment that affected Thailand's SMEs policy so that chosen a strategic policy framework for strengthening the potential of SMEs toward the AEC could be formulated.

The Office of SMEs Promotion has confirmed that the food industry is the main manufacturing industry because of its high employment rate, its large proportion in the country's GDP, and its vast number of enterprises compared to other industries. Food industry is very important not only to the Thai economy at both micro and macro economic levels, but also to entrepreneurs and labor in SMEs (The Office of SMEs Promotion, 2012). Therefore, the food industry was chosen by the researcher for the study of SMEs.

The food industry encompasses 4 kinds of products: 1) fishery products 2) livestock products 3) canned and processed fruit and vegetable products, and 4) rice, cereal, flour, and instant food products. The SMEs in food industry in the study were registered as corporates, most of which were in the manufacturing sector. Most entrepreneurs in the study received one of the following types of awards: the SMEs national award, the complimentary award, and the outstanding award. They had high potential and high motivation to improve their businesses to reach the established standards.

1.6 Benefits of the Study

1) Knowing the environment and strategic plans, the approaches to policy formulation, and ideas concerning various dimensions of Thai SMEs promotion will help in developing an approach to improve strategic management and to formulate and implement the policy for SMEs promotion.

2) Knowing the outcomes of the policy and the stakeholders' concerns, the role and relationship of the stakeholders in both the public and the private sectors will be useful for policy formulation and for strategic policy implementation processes.

3) Knowing the potential of Thai SMEs in competing with those in other the AEC countries can help those concerned to strengthen their potential so that they will be able to grow, stay strong, and adapt to changes.

4) Knowing in-depth and accurate information will be useful for improving SMEs in various aspects and for extending an opportunity for local communities to support Thai SMEs. The research findings will be employed to construct a strategic policy framework for strengthening the potential of SMEs toward the AEC, which

will benefit both the public and the private sectors involved in the promotion and formulation of a strategic policy for Thai SMEs, enabling them to be more competitive both inside and outside the country.

1.7 Terminology

1) Policy: activities or things that the government chooses to do. A policy is formed by the government, bureaucrats, political parties, politicians or private organizations, all of whom influence the policy development. A policy must have clear objectives.

2) Strategic plan: an overall action plan which includes strategies, tactics, and projects to accomplish the objectives of the organization and defeat the competitors.

3) Strategy: a method or way an organization uses to accomplish its objectives, or a way to create value for the shareholders, owners, customers, or employees of the organization. A strategy is a process to drive the organization to fulfill its missions, and it is a plan that focuses on achieving a propose, or it can be a process in planning and implementation, or a skill in setting operational plans. A strategy for competition is a way or plan to perform business and other activities in order to increase the capability to run the business to surpass the competitors.

CHAPTER 2

LITERATURE REVIEW

In this chapter, the researcher presents concepts, theories and related research inside and outside Thailand. First, public policy and strategic management theories are presented, Then development of SMEs is described, followed by Thai SMEs development plans, the Office of SMEs Promotion's SMEs Promotion Plans Nos. 1-3. Next come the concept of food industry, the overview of the potential of food industry in Thailand and the overview of the AEC. After that potential strengthening theories and related research are reviewed. Finally, the conceptual framework is proposed.

2.1 Public Policy and Strategic Management Theories

2.1.1 Public Policy Theories

The development of public policy began with forms of prohibitions, orders, regulations, traditions, laws and also leaders' judgments. For example, the code of Hammurabi of ancient Mesopotamia was written by the city of Babylon's ruler. (Tossaporn Sirisompan, 1996: 26) This law was passed in response to economic, social, and environmental changes. It prescribed the judicial, property rights, trading, family relations, fee collection and so forth. At present, laws, atcs, regulations, and order also cover these things.

Public policy has a broad meaning, covering the government's operations or fields of activity. As the leader, the government may need to intervene the economic and social systems when necessary. The government set a public policy to express its general purpose or a desired state of affairs derived from specific proposals of different political parties which the government transform them into programs and projects.

It can be said that public policy is an output of what government has already done, or public policy is an outcomes from any government's operations, whether intentionally or unintentionally (Hogwood, & Gunn, 1984: 13-18). Scholars gave different definitions for public policy.

Amorn Raksasat (1977) explained public policy in a broad sense. He said that the government bases on 3 things for making a decision on implementing or not implementing any project which are 1) to identifying the goal 2) identify some new approaches 3) identifying different supports.

Kulton Tanapongsatorn (1992) summarized the meaning of public policy given by scholars both in Thailand and other countries. He said that public policy was some general plans or strategies that a government set up in order to take action later and accomplish the established goals.

Tinnapan Nakata (1983) explains that public policy includes projects that the government set up in order to benefit the society. Two purposes of Public Policy are: 1. to be a guideline for government. 2. To includes important government projects that involve different organizations and processes that legalize the policy.

According to Tossaporn Sirisompan (1996: 4), public policy is a government or an organization's policy. The policy covers what the government intends to take action or does not intend to take action. It also includes the government's decision on resources management and distribution and all other actions including products or outcomes from any government projects.

Easton (1984: 110) said that public policy was authoritative allocation of values. The government needs to consider social values of its people in every decision making. In addition, some groups of people are involved in political systems, and they can make important decisions and orders. They are senior politicians, the legislature, the administration, the judicature. and the statesmen and political leaders.

Anderson (1979: 3-7) states that public policy is an action with a very clear objective in order to solves problems, and it is being implemented by public organizations, political parties, politicians or private sectors that play an important role in policy development. Public policy must consist of courses and patterns responsible by a public agency. It include laws and regulations to respond to people's needs. It has clear aims or purposes. (Anderson, 1994: 5-6)

Lasswell and Kaplan (1970: 71) define public policy as a projected program of goals, values and practices.

Dye (1976: 1) viewed that public policy is whatever governments choose to do or not do in order to response to problems. In addition, public policy includes governments' routine activities or occasional activities (Dye, 1984: 1).

2.1.2 Policy Process

From 1950 to 1950, studies about public policy focused on the process and behaviours. Behavioural researchers and scholars suggested that the process of formulating public policy should be developed continually and step by step.

Dye (1984: 23-24) suggested 5 steps of the policy life cycle in line with the environment or the situation with a policy maker making decisions about the policy process or any political activities. These steps are

1) Policy Formation: this step is to identify issues or problems. The problems can come from people's claims or needs. The analysts have to find out if the problems are real, personal, or public. In addition, they need to find out the causes and the violence of the problems and prioritize them for further considerations.

2) Policy Alternative Development: After forming the policy, there should be development of different alternatives. The analysts will consider the alternatives in terms of their strengths, weaknesses, possibility in management, finance, techniques, costs, benefits, effects, and side effects.

3) Policy Decision Making: The authorities or policy makers will consider and choose the policy with equity, that should be beneficial to all people. The policy needs to be practical and realistic. In addition, all parties should agree on the chosen policy.

4) Policy Implementation: the organization transform the policy into a plan before taking actions. There are lists of things to be considered, such as budget, workers, location, and materials.

5) Policy Evaluation: This step is to measure the success and failure of each policy in order to carry on or improve the projects. The evaluation can be made during or at the end of the policy implementation. Things that can be evaluated are process, product or outcome, and the effects of the policy. This process will

provide feedback and help to find the problems and to come up with the solutions systematically.

In addition, Dye's (1976) concept about policy process had been used in describing the policy system by Dunn (1981: 46 quoted in Sombat Thamrongthanyawong, 2006: 39) to explain the relationship between public policy and policy environment and policy stakeholders. There are other factors related to the policy system. For example, in case that the public policy concerns the stakeholders' productivity, public policy can be considered a dependent variable, and the policy stakeholders and the policy environment are independent variables.

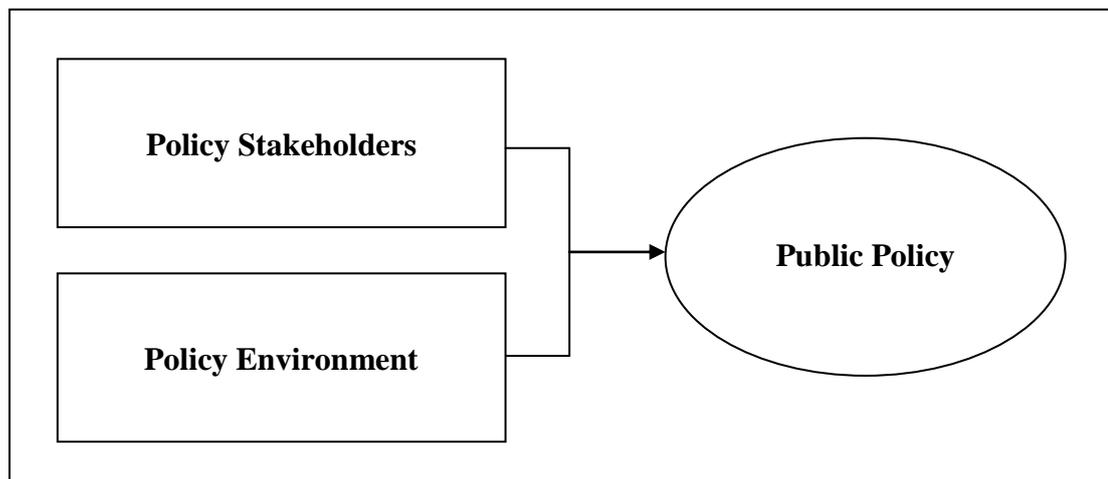


Figure 2.1 Policy System

Source: Dunn, 1981: 39.

2.1.3 Concept of Policy Implementation

Many scholars have given different meanings of public policy implementation:

Van Meter and Van Horn (1975: 447) said that to implement the policy of each individual organization or a group of organization means to accomplish the objective of the policy or to make it more practical in a continual process. However, the people who are responsible for policy implementation need to have knowledge and understanding and ability to manage the resources.

Williams (1971: 144) defines public implementation as an effort to gather people and resources in each organization, and encourage the people to work together in order to accomplish their plans and goals.

Pressman and Widavsky (1984) state that policy implementation require an ability to influence all the working processes to reach the goals. This theory focuses on the potential of people, resources, motivation and team work attitude of the organization. Also, it includes the evaluation of the success from policy implementation.

Tossaporn Sirisompan (1996: 145) adopted the concept of policy implementation from Woodrow Wilson that politics and management should be clearly separated. Politicians come up with the policy, and the assigned officials will put the policy into action. However, sometimes there are problems and restrictions because of poor management, bad policy or bad luck, such as the happening of an unpredictable situation that affects the national economy or politics.

Voradej Chandarasorn (2006: 135-153) found that the general model is an interesting and important form of policy implementation. It describes about the ability of the organization and how the people in the team communicate with each other. Other factors that contribute to the success are environment, economy, social aspects, and politics, for instance. (Figure 2.2)

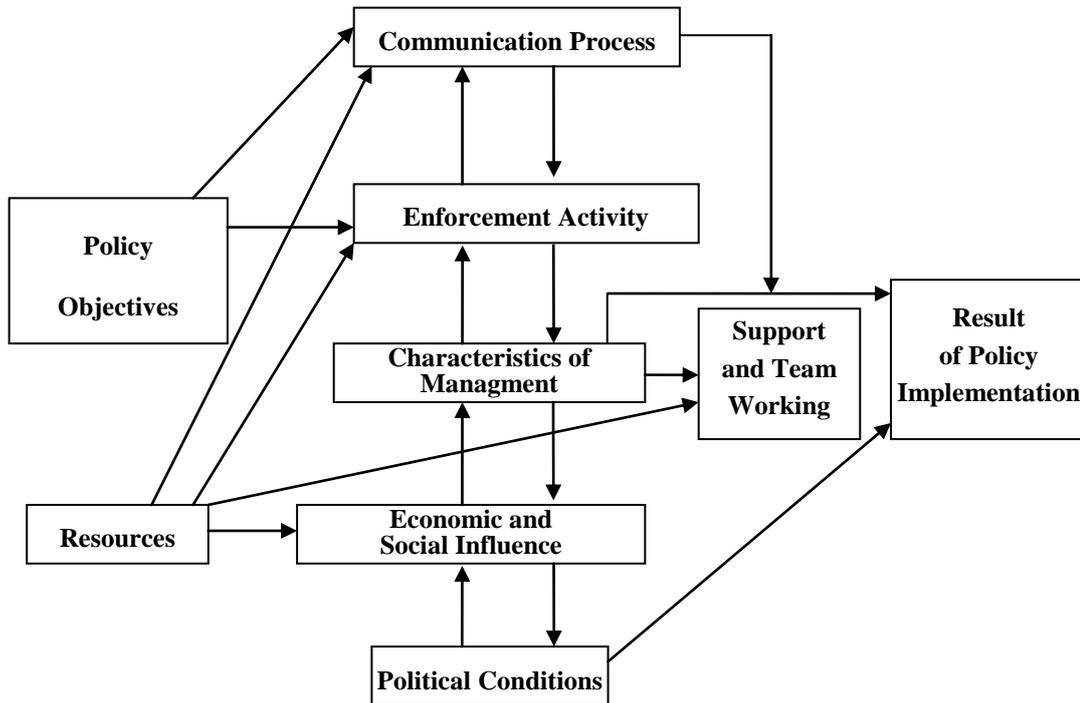


Figure 2.2 General Model

Source: Voradej Chandarasorn, 2006: 135-153.

2.1.4 Concept about Policy Evaluation

Many scholars have given their opinions and meanings of policy evaluation as follows:

Anderson (2003) gives the meaning of policy evaluation as an activity that involves estimation and comparison between the result of policy implementation and what might happen in the future, or the real result of an expectation from the policy.

Dye (1984) states that policy evaluation is learning about the result of the policy implementation.

Nagel (1994) says that policy evaluation is part of policy analysis that is related to government's policy. Every decision must be made for the benefit of the people.

Greene (quoted in Denzin, & Lincoln, 2002: 983) defines evaluation as a process to identify merit, worth, and value of things and to judge the policy. (Stake, 1967 quoted in Denzin and Lincoln, 2002: 983) This process has to be carried out carefully, and it will become an output or an outcomes that is valuable to continue any

projects. In addition, the result of the evaluation can be used for making decisions in future.

In Greene's (n.d. quoted in Denzin, & Lincoln, 2002: 982) opinion, policy evaluation, should focus on a variety of groups and individuals who benefit from the project or policy to be evaluated. These people are called "stakeholders", and they are important in choosing ways to evaluate. A few methods can be used for evaluation such as interpretivism or constructivism. The stakeholders' concerns should be the starting point of policy evaluation (Guba, 1981: 33ff; Guba, & Lincoln, 1989: 55ff). Some examples of effective evaluation methods are unstructured interviews, observations, and dialectics. The questions for evaluation should allow the interviewees to share experiences, meanings or facts. What experience do they have from the project? Or what the project mean to them? (Greene, n.d. quoted in Denzin, & Lincoln, 2002: 984)

Public evaluation has different characteristics:

Office of the Public Sector Development Commission (2009) evaluated the policy by following the guidelines prescribe in chapter 5 section 3/1 of the constitution. Nine important elements as prescribed in the constitution are effectiveness, efficiency, responsiveness, accountability, transparency, participation, decentralization, rule of law and equity.

Tossaporn Sirisompan (1996: 153) policy evaluation can be made by different methods depending on the purpose of evaluation. For example, if there is a need to know about the progress of the policy implementation, policy monitoring is the suitable method. If the focus of the evaluation is on comparing costs and products, the efficiency evaluation is suitable. Moreover, efficiency evaluation can be used to check the result if the policy is followed through as planned.

The researcher is interested in efficiency evaluation because the policy to support SMEs has come to the end. Because some projects have been carried out for quite. Some time, the suitable method to evaluate the policy is posttest only. (Figure 2.3)

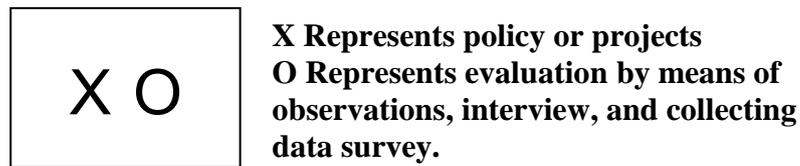


Figure 2.3 Evaluation by Means of Posttest Only

Source: Adopted from Jeromy T. Murphy quoted in Tossaporn Sirisompan, 1996: 153.

The North American stakeholders model for policy evaluation follows Guba and Lincoln's evaluation framework, (Guba, & Lincoln, 1989: 40f; Riecken, & Roruch, 1974: 203ff; Weiss, 1982a: 18 quoted in Vedung 1991: 69-70) Besides goal-attainment evaluation, there are side-effect evaluation, result or goal-free evaluation, system components, client concerns, and stakeholders-based evaluation. These types are based on stakeholders' implementation about the results of the policy.

In the model, the evaluators invited from outside. They can be advisors, freelance researchers, or the employees of the unit. They will collect the data about concerns or issues from the stakeholders. The evaluators will set up the criteria and standards for measurement. The stakeholders will not be responsible for the last step of the evaluation.

In their book about effective evaluation, Guba and Lincoln suggested that stakeholders' concerns and issues should be evaluated because they are an important indicator. The stakeholders are concerned that all the problems will lead to unsatisfied result, and that different opinions can lead to disagreement. However, the advantages of using the North American stakeholders model are 1) Knowledge of side-effects and obstacles derived from applying the model can be used for further studies. 2) The participation of stakeholders can be in evaluation useful in decision making in the future. 3) It can serve as a strategy to revive unclear objectives or lack of goals by using this strategy.

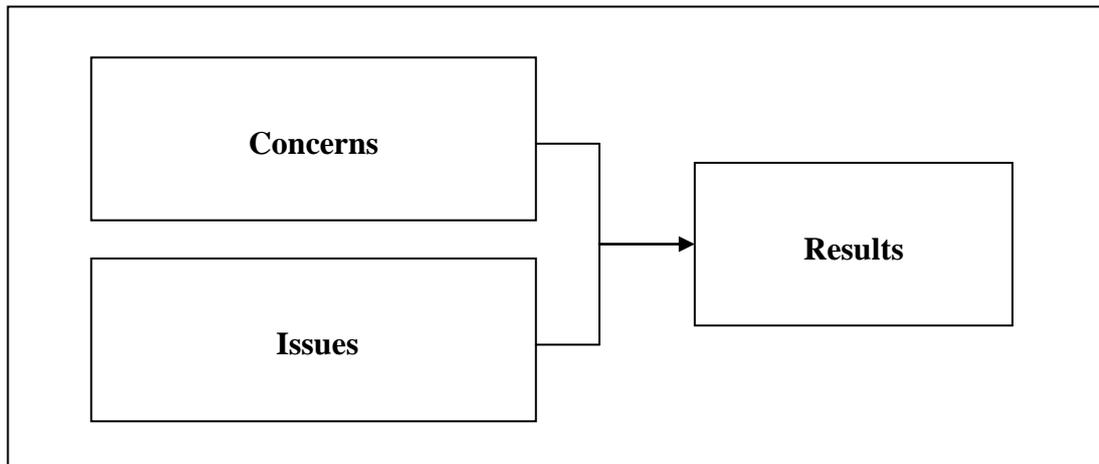


Figure 2.4 North American Stakeholder Model

Sources: Riecken, & Roruch, 1974: 203ff; Weiss, 1982a: 18; Guba, & Lincoln, 1989: 40f quoted in Vedung, 1991: 69-70.

SMEs have played an important role in Thailand's economy, as the government has been reinforced authorized the policy for that supports SMEs. Now, it is time to have the results evaluated in order to find out concerns that stakeholders have, and inform to publicize these concern. Improvement of the policy or strategies can be made in the right direction, suitable to the current situation so that the support for SMEs will bring benefits to all stakeholders and the country.

This research evaluated the results of the policy implementation by using stakeholders-based evaluation method. The researcher applied the pattern of policy evaluation from the North American Stakeholders Model based on the concept theory of Guba and Lincoln (1989: 40f); supported by Riecken and Roruch (1974: 203ff); Weiss, (1982a: 18 quoted in Vedung, 1991: 69-70) in order to find out concerns of stakeholders in both politic and private sectors involved or beneficial from SMEs promotion.

Therefore, the researcher evaluated the results of SMEs promoting policy by studying the roles of stakeholders in this policy. The data were gathered by interviewing the main stakeholders from the government and the private sectors. Even though there were many stakeholders in policy planning such as the government, the business network, local businesses, customers, business owners, stockholders,

managers, employees, sellers, or even competitors, the researcher chose to focus on the stakeholders that have direct influence on the policy. Some information from group focus discussion that is not related to SMEs promoting policy was deleted.

The results of SMEs promoting policy in this dissertation was evaluated by the stakeholders' opinions. Two methods used in this process were in-depth interview and focus group. The key informants were stakeholders and groups of stakeholders who played a big part in implementing the policy. The results of the evaluation will be of great benefit by the government. Also, the private sector can use the results to cope with changes.

2.1.5 Concept of Strategic Management

Studying about the policy of promoting SMEs requires a clear understanding about meaning, process, and also creating strategic planning. The findings is will help SMEs to become successful as nowadays, there are more uses of the words in management such as strategy, competitive strategy and strategies. There are many scholars gave the definitions for the following:

Wattana Wongkiatrat et al. (2005) said that "Strategy" comes from the word "Strategos" which came from original Greece's word "Stratos" (Army) and added with "Agein" which means to lead. Therefore, the meaning of strategy is to lead the total organization to achieve its goals and to find method to accomplish them.

According to Pairoj Pathranarakul (2003) economic strategy reflects the guideline for resource management to reach the economic goals. Strategy consists of goals, action plans and tactics. Strategy may be adapted to be suitable to the situation.

Sanor Tiyao (2000) states that strategy is a method to accomplish goals in the right plan while tactic is a way to reach the goal too, but the method can be right or wrong. Strategy consists of vision, mission, goal, objective and operating plan.

Thongchai Santiwong (1996 quoted in Nattapan Kajornnan, 2009: 16) states that strategic management meant improvement with emphasis on objectives and policy, and following the strategic plan step by step.

Pakpajong Wattanasin (1998) states that strategic management focuses on the change of the environment and immediately response to the competition. In addition, good resource management must consider the characteristics of the business, environment, available resources to accomplish the plan.

To Glueck (1984 quoted in Nattapan Kajornnan, 2009: 16) strategic management is a plan to manage resources effectively.

Preecha Pongkraitert (2005: 25) defines strategic management as the gathering of strategy, tactics and working together for success and go above the competitors.

Boonyakiat Cheewatrakul (2006) defines strategic management as management with the aim to develop the way to achieve the desired outcome. It relies on resources and reasonable strategies and vision of the leader.

According to Pasu Decharin et al. (2007), strategic management gives a clear direction to an organization. Apart from the plan, an effective evaluation and the ability to use the strategy are necessary. Therefore, it can be said that good strategic management consists of 3 elements: strategic formulation, strategic implementation or execution, and strategic measurement and evaluation.

Gordon, Premeaux, Shaplin and Mondy (1990: 141) states that strategic management is setting goals and find some way to achieve them. They mention 5 steps of strategic planning: identify responsibility, analyze environment of the organization, identify objectives of strategic plans, identify the strategy of the organization, and implement the strategy.

Quinn (1996 quoted in Mintzberg, & Quinn, 1996: 3) defines strategy as a plan that shows the unity of goal, policy, and action in an organization.

Hampton (1986) explains that strategy refers to a general plan, a concluding plan, or an integrated plan which brings about business advantages and helps to overcome challenges in the environment. It is designed to fulfill the objectives of the organization.

Porter (1980) said that strategy is an essence in business competition.

David (1991: 4) considers strategic management as the combination of science and art of making decisions and setting goals, implementing then, and evaluating the operational performance.

Nattapan Kajornnan (2009) defines strategic management as a process that involves analyzing the environment and the data. Doing business relies on important information to make decisions, to plan and control the operation to make sure that its potential can compete with others in the industrial world.

Kaplan (Kaplan, & Norton, 2004) came up with a very distinctive concept called the “Balanced Scorecard (BSC)”

“The Balance Scorecard Framework” was formulated by Kapland and Norton (2004: 30). It consists of 4 dimensions as follow:

1) Financial Perspective Management: It concerns giving details about how intangible assets can be changed to tangible value.

2) Customer Perspective Management: It concerns presenting the products or services to customers in order to make them feel important as business partner. Also, it present the image of the product that is valuable to the customers.

3) Internal Process Perspective Management: It deals with the process of changing intangible assets such as ideas, management, and service to achieve the financial results.

4) Learning and Growth Perspective Management: It concerns activity, Human Resource (HR), information, and the image of the organization.

Kaplan (Kaplan, & Norton, 2004) adds that the strategies that can be used in organization management include mobilizing, translating the strategy, aligning the organization, planning the operation, monitoring and learning, and testing and adaption.

2.1.6 Theory of Strengths, Weaknesses, Opportunities, and Threats (SWOT Analysis)

This theory was formulated by Albert Humphrey in 1960s and 1970s (The Federation of Thai Industries, 2011) The objective of SWOT analysis is to analyze inside and outside situations or the so-called “situation analysis”. In order to find out strengths, weaknesses, opportunities, and threats. The findings will help the management to know about not only changes in the industry, but also the impacts that might take place after the changes. It is also beneficial for the management to create vision and strategy and apply it to meet the challenges.

SWOT analysis is an important measure of potential and ability of the industry. It reveals the strengths that can be used to accomplish the organizational goals while the weaknesses that might bring about the failure will be made known. Moreover, opportunities will create the right situation that will bring success, but the threats will be barriers for industry to achieve their goals.

SWOT analysis is used to evaluate the internal environment as well as the external environment.

1) Internal Environment Evaluation

The steps for external environment evaluation are as follow:

First, consider the strengths from the perspective of the people in the industry. Then plan to develop or increase, and keep them for the advantage of the industry. Later, look for weaknesses and make a decision to earned or to get rid of them.

2) External Environment Evaluation

The steps for external environment evaluation are as follow:

First, consider the opportunities that come from both inside and outside the country. The advantages found from the evaluation can be used to strengthen the industrial strategy of doing the business. On the other hand, threats are outside factors that might cause damages to the industry. If they are known ahead of time, they can be avoided.

2.1.7 Organizational Structure

Organizational structure is shown in the organization chart. It shows all the activities and processes of the organization. According to Daft, (1986) organizational structure explains individuals' and the whole unit's responsibilities. It identifies the relations as a formal report and also lines of authorities including the span of control. It also arranges groups of individuals and units in the organization. And it designs the communication systems making sure that they are effective.

Organizational structure comprises (Lorsuwanrat, 2009):

1) Division of Labor

It concerns distributing responsibilities in accordance with different skills (Gibson, Ivancevich, & Donnelly, 2000) by using the following criteria: Personal specialization, horizontal specialization, and vertical specialization

2) Departmentalization

It delegates the tasks within the organization in the following ways: 1) Functional classification: by focusing on the skills of individuals 2) Product classification: by the structure of the output 3) Territorial classification: by managing the tasks in line with the geography or location 4) Customer Classification and 5) Matrix structure: by differentiating the products and responsibilities at the same time. The advantage of such classifications is that after implementation and improvement, the results can be reported directly to the Product Manager. This process can also be called “project organization”.

3) Span of Control

It deals with the appropriate number of people who are working under a supervisor by considering the relations between individuals, the quality or the relation, and the skill levels.

4) Delegation of authority

It concerns delegating tasks and power or responsibility to the lower level of the organization (Gibson et al., 2000) and the reasons for delegating power, the reasons for gathering power, and giving.

Location, culture, and tradition are to be considered when delegating responsibilities. One well known method for organization management is the Good Governance method, which includes transparency, accountability, and participation.

2.2 Development of SMEs

2.2.1 The Background of SMEs

The study by Wennekers (2006) found SMEs began in the Middle Ages or the 5th century. During that time, entrepreneurs were just like sellers or traders that sold their products to customers. Businesses were done by individuals rather than

organizations. After the 16th century of discovering the new world, there was more trade because the demands increased. This development helped the Europe's economy to become successful.

Later after agricultural and industrial revolution, businessmen and investors hired some people who had skills to produce goods they wanted to export to gain profits. This was called the "Domestic System". Because of the industrial revolution, factories became more popular. Many products could be made in factories, which could save time and costs. However, in the 19th century, there was an economic downfall because the entrepreneurs lacked creativity and did not make changes in their business. (Landes, 1969)

After the worldwide economic depression in the beginning of the 20th century, many large companies or businesses were collapsed. After the 20th century, SMEs were being focused around the world (Wennekers, 2006). As seen in Figure 2.1, the number of SMEs in each country was about 99% of the total enterprises and they accounted for 70% of the employment. The products gross of SMEs was in many countries 50%, and it tended to increase continuously every year.

Table 2.1 The Number of SMEs and Their Products Gross

Country	Year	Number of SMEs (million)/percentage of SMEs	SMEs Employment (million)/percentage of SMEs Employment	Percentage of SMEs Products Gross
USA	2005	25.8 / (99.9)	111.7 / (50.7)	49.9
EU	2008	20.7 / (99.8)	89.9 / (67.4)	50.0
Japan	2005	4.7 / (99.7)	30.0 / (70.0)	55.3
South Korea	2004	3.0 / (99.7)	10.4 / (86.5)	50.7
Taiwan	2005	1.2 / (97.8)	7.6 / (76.9)	29.5
Thailand	2006	2.2 / (99.5)	8.8 / (76.7)	39.4

Source: The Office of SMEs Promotion, 2007b.

2.2.2 SMEs Development in Thailand

SMEs development is very important for Thailand's economy as well as for other countries. After the economic crisis, there has been increasing interest to improve and support SMEs. The Ministry of Industry presented the project for SMEs development to the government in order to recover the country's economy. The policy aimed to restore and build the potential of new SMEs and to increase the ability of SMEs competition for a long term economic recovery.

On April 23, 1999, the Ministry of Industry set up the Institute of SME Development with the following: 1) to support and work with educational institutions that participate in the policy 2) to educate the people who are interested in being parts of SMEs 3) to provide support for SMEs as that they can improve their marketing strategy, investment and finding connections 4) to research and gather up-to-date information for SMEs, and 5) certify people who are in charge SMEs evaluation.

Later, The Office of SMEs Promotion was established, and their objectives are 1) to identify the characteristics or types of SMEs in the current economic and social situation 2) to select SMEs that need extra support 3) to coordinate and create action plans with the government agencies or private sector in order to support SMEs 4) to study and report the current situation of SMEs 5) to give suggest on how to improve or change the law if necessary 6) to manage the fund in line with the policy of the committee, 7) to carry out the mission of the committee, and 8) to complete other responsibility in accordance with the law.

2.2.3 Definitions of SMEs

Each country defines SMEs differently depending on social, economic, and culture contexts.

Table 2.2 Comparison of SMEs Definition

Country	Definition
<p>Thailand According to the Ministry's regulation about employment and fixed asset of SMEs, 2000</p>	<p>SMEs</p> <p>Manufacture Employment is than or equal to 50 people, or the value of net fixed assets, excluding land, is worth less than or equal to 50 million baht .</p> <p>Wholesale Employment is fever than or equal to 25 people, or the value of net fixed assets, excluding land, is worth less than or equal to 50 million baht.</p> <p>Retailing Employment is less fewer or equal to 15 people, or the value of net fixed assets excluding land, is worth less than or equal to 30 million baht.</p> <p>Service Employment is fewer than or equal to 50 people, or the value of net fixed assets excluding land, is worth less than or equal to 50 million baht.</p> <p>Medium Enterprises</p> <p>Manufacture Employment is 51-200 people or the value of net fixed assets excluding land are worth 51-200 million baht</p> <p>Wholesale Employment is 51-200 people or the value of net fixed assets excluding land is worth 51-200 million baht</p> <p>Retailing Employment rate is 16-30 people or the value of net fixed assets excluding land are worth 31-60 million baht</p> <p>Service Employment rate is 26-50 people or the value of net fixed assets excluding land are worth 51-100 million baht</p>
<p>China</p>	<p>Employment is fewer than 100 people</p>
<p>Indonesia</p>	<p>Employment is fewer than 100 people</p>
<p>Japan</p>	<p>Employment is fewer than 300 people or fixed assets are worth less than 10 million yen</p>

Table 2.2 (Continued)

Country	Definition
	Wholesale Employment is fewer than 50 people or fixed assets are worth less than 30 million yen
	Retailing Employment is fewer than 50 people or fixed assets are worth less than 10 million yen
Korea	Manufacture Employment is fewer than 300 people Service Employment is fewer than 300 people
Malaysia	Sales is worth less than 25 million ringgit Malaysia, or employment is fewer than 150 people
Philippines	Employment is fewer than 200 people or the fixed assets are worth less than 40 million peso
Singapore	Manufacturing Fixed assets are worth less than 12 million dollar Singapore Service Employment rate is fewer than 100 people
Taiwan	Manufacture The capital (paid) is less than 40 million NT or fixed assets are worth less than 120 million NT Service and Transportation Sales are worth less than 40 million NT
European Commission	Medium enterprises Numbers of employees is up to 250 people Sales with up to 40 million Euro The balance sheet is up to 27 million Euro Small enterprises Number of employees is up to 250 people Sales up to 7 million Euro The balance sheet is up to 5 million Euro Micro business Number of employees is up to 10 people

Source: The Office of SMEs Promotion, 2007b; European Commission, 2003b.

From Table 2.2, the sizes of each category are different, depending on the value of the fixed assets and the employment rate.

According to the SMEs promotion Act, an “enterprise” means manufacture, service, wholesale, and retailing, or other businesses as specified in the gazette is.

“SMEs” are enterprises that have employment, fixed assets, and registered capital as prescribed by the law. It covers 3 types: production, agricultural process, manufacturing and mining, and trading which includes wholesale, retail, and service.

The maximum fixed assets that each type of business is registered to possess are:

- 1) Manufacture: Medium up to 200 million baht and small manufacture up to 50 million baht
- 2) Service: Medium up to 200 million baht and small up to 50 million baht
- 3) Trading: Medium wholesales up to 100 million baht and small wholesales up to 50 million baht. Medium retails up to 50 million and small retails up to 30 million baht

The sizes of employment of each type is as follows:

- 1) Manufacture: Medium up to 200 people and small up to 50 people
- 2) Service: Medium up to 200 people and small up to 50 people
- 3) Trading: Medium wholesales up to 50 people, small wholesales up to 25 people.

: Medium retails up to 30 people and small retails up to 15 people

The definition of each type is stated in the guideline of Ministry of Industry.

Table 2.3 Types of SMEs, Employment, and Fixed Assets

Category	Small Business (S)		Medium business (M)	
	Employment (People)	Fixed Assets (Million Baht)	Employment (People)	Fixed Assets (Million Baht)
Manufacture	Up to 50	Up to 50	51-200	More than 50-200
Service	Up to 50	Up to 50	51-200	More than 50-200
Wholesales	Up to 25	Up to 50	26-50	More than 50-100
Retails	Up to 15	Up to 30	16-30	More than 30-60

Source: Adapted from Ministry of Industry, 2000: The Ministry of Industry's Act of Employment, and Fixed Assets for SME, 2002.

Note: The businesses are classified by either employment or fixed assets excluding the land into two type. The fixed assets are appraised from:

1. The value of fixed assets (excluding the land) shown in the financial statement according to the act of accounting
2. The value of fixed assets (excluding the land) evaluated by reliable financial advisor

In case that both values are different, the lower value is considered the fixed assets value.

2.2.4 The Importance of SMEs

SMEs are important to both economy and society as it will be explained for both aspects.

2.2.4.1 Importance for the National Economy

From the statistic in 2006, The Office of SMEs Promotion used the SMEs Promoting Plan No.1 (2002-2006) and found that SMEs generated GDP products value was 3,041,895 million baht and as 38.9% of their whole numbers of the country. The rate of enhancing was 4.8%. Even though there were 2,287,057 SMEs in 2006, but the ones that got registered with the Ministry of Commerce were only 546,319 SMEs. There were large businesses 4,037, and SMEs were 537,345 or 98.3% of all. The increase of the enterprises where 46,816 while there were 20,078 decided to stop. So, SMEs had employed 8,863,334 people or 76.7% of the country's employment

(The Office of SMEs Promotion, 2007b) We can see that SMEs are important for the economic growth of the country. Economy Emission as a whole seemed the be successful or it can be said that SMEs are important to the economic systems in 7 aspects:

- 1) Creating employment in manufacture, service, and trading
- 2) Encourage new investors because SMEs have less risks, compared to industry investment
- 3) Train and teach different skills that can be taken as careers
- 4) Connect to larger businesses
- 5) Add value to the resources of the country
- 6) Generate income especially from manufacturing for export and tourism
- 7) Prevent the economic monopoly because there is fair competition in SMEs

2.2.4.2 Importance of SMEs for the Society

In the past, a lot of people in provinces came to Bangkok after the harvest season in order to work at large factories. Nowadays, SMEs have created opportunities for people in different provinces to use their skills and resources they have to do their own small businesses. They do not have to come to the city to earn more money. This has alleviated the poverty problem to a certain extent and beneficial to the country as a whole.

2.2.5 Problems and restrictions of SMEs

Thailand SMEs have problems that come from both inside and outside factors. According to The Office of SMEs Promotion (2007b), SMEs' main problems are these problems:

- 1) Marketing problem: Even though SMEs respond to the need of local markets, the entrepreneurs need knowledge of marketing in a larger circle, especially in other countries. Because of the fast and convenient technology of transportation, bigger enterprises from other countries have become important rivals of Thai SMEs.
- 2) Shortage of fund: SMEs need to loan from banks, as they sometimes lack effective accounting system. Some of them need to rely on loan sharks and have to struggle to pay back with a very high interest rate.

3) Labor problem: After working for a while, SME employees will transfer to work in larger factories that offer better pay and compensation.

4) Manufacturing technology: Due to low investment in manufacturing technology and the employees lack knowledge and skills, so the products made to not reach the standard.

5) Lack of effective management: SMEs owners usually employ people in the family or, relatives, or friends. Most of the time, they make decisions from their experiences and do not open themselves to information from outside. When the business gets bigger, They do not have good management ability to handle the organization.

6) Problem of access to government support: Most SMEs are not registered and located at home or via small building. They closed themselves from governments' support because they do not observe the law such as avoid paying taxes, destroying the environment, or lack of safety measures as prescribed by law.

7) They is limitation of service from government and private sectors because there are so many SMEs all over the country.

8) They have some limitation in receiving new information and up to date situations because they lack of technology.

2.3 Thai SMEs Development Plans

Since the economic downfall, SMEs have been facing a lot of challenges, and many reduce the production or even closed down their business. Some of them have survived because of good management and effective financial management. However, most of them have financial problems and need help from the government.

Therefore, some SMEs development plans have been set in order to:

1) solve current problems and help SMEs to survive the economic crisis by improving some aspects such as technology, manufacture, marketing, human resource development, and make connection.

2) develop SMEs to be able to compete with those in other countries and to such international standards, such as ISO 9000 or ISO 14000.

3) focus on venture capital in the SMEs stock market in order to improve productivity, technology and service.

4) create new qualified SMEs with innovation and to support them by focusing on incubation and help them with start-up loans.

SMEs Supporting Policy in the Past

Thailand has a great number of SMEs: however, the government did not set up a strong policy to support. Until 1976, Saeng Sanguanreung and Business Major of Nida, TRIS, and Economic Major of Thammasart University were interested to study in SMEs (Saeng Sanguanruang et al., 1978) The study is about the potential, management, problems of SMEs and also the policy of the government. The goal of the study was to seek the ways to develop and support SMEs.

Even though there were many SMEs in Thailand for years, the government did not have any firm policy to support them. However, after 3 years the economic crisis in 1997, an act was passed to promote and support SMEs. A committee led by the Prime Minister was established for this purpose. In 2001, The Office of SMEs Promotion was established to set the policy and plans to support SMEs. The Office of SMEs Promotion is the main organization to create projects, coordinate with other organizations to manage activities that will help to improve and support SMEs.

In addition, there was an establishment of the SMEs credit coordination with the capital of 400 million baht, and later the Ministry of finance added the capital to 4,000 million baht to help SMEs.

SME Bank was established not long after that to help SMEs financially. For skill development, Institute for Small and Medium Enterprises Development (ISMED) was set up to help with training, counseling, and giving service in many aspects.

So far The Office of SMEs Promotion has set economic and social development plans as follows:

1) The Economic and Social Development Plan No.1: Focuses on giving counseling about marketing development and provide capital sources for SMEs.

2) The Economic and Social Development Plan No.3: Focuses on spreading industrial business to every region.

3) The Economic and Social Development Plan No.4: Focus on improving policy and other regulations in order to help the private sector investing in industry, trading and exporting, on increasing employment, and on improving government service.

4) The Economic and Social Development Plan No.8: Focuses on human resource development, upgrading management skills and technology, and supporting home economy and community industry.

5) The Economic and Social Development Plan No.9: Focuses on support SMEs to be an important tool to develop the country to become a strong society in terms of social, quality, and learning; developing management system; and training the SMEs owners and help them make connections.

6) The Economic and Social Development Plan No.10: Focuses on implementing the concept of economic sufficiency, improving the quality of products and supporting more research on increasing the value of agriculture products, promoting new wave industries, and improving wholesales and retails operation.

Besides all the plans, the government also promoted Thai food industry so that Thailand would become the “Kitchen of the World” with 5 objectives (Food institute, 2012): 1) to increase Thai food export to no less than 10% per year 2) to guarantee food production safety increasing by 5% per year 3) Increase Thai food quality and add 5 types of food per year 4) to export Halal food no less than 10% 5) Establish a one stop service for the convenience of SMEs. In addition, there are 4 strategies to accomplish the plan: 1) Develop and raise the bar of manufacture and management to be ready to compete 2) Promoting Thai food so that Thailand will become “the Kitchen of the World” and strengthening marketing strategy 3) Doing more research on agricultural product to add value, on packaging and on the supply chain in response to the need of consumers 4) Training and educating about connection inside and outside the country.

All the projects and policies above focus on promoting the food industry to reach international standards and to be the leader of ASEAN in this industry.

2.4 The Office of SMEs Promotion's SMEs Promotion Plans Nos.1-3

The Office of SMEs Promotion is the center for the government and private sectors to work together to support SMEs. Three groups were formed and each works on different task, a strategic planning group of SMEs coordinating plan, and the support group. By dividing the staff into groups based on the responsibility. The projects of each group must cover policy, action plans, and coordinating with other sources for SMEs.

In Thailand, each SMEs promotion plans was implemented for 5 years. SMEs Promotion Plan No.1 (2002-2006) was set during the economic crisis in Thailand and in the process of recovering. So, the plan focuses on restoring and promoting SMEs to have a strong structure.

2.4.1 SMEs Promotion Plan No.1 (2001-2005)

SMEs Promotion Plan No.1 (2002-2006) was created during the time that the economics of the country received an impact from economic crisis. So, the plan focused on recovering from the impacts and building the structure of SMEs to be stronger. The details of this the plan (2002-2006) by (The Office of SMEs Promotion, 2002) has these objectives:

- 1) The objectives of this plan are as follows:
 - (1) to raise the GDP of SMEs to 50% of the country's GDP by the end of 2005.
 - (2) to increase SMEs employment 180,000 people per year.
 - (3) to increase SMEs' employment rate in the industrial sector to 2.5 percent per year as specified in Economic and Social Development Plan No.9.
 - (4) to raise expanse SMEs' export value to no less than 6% per year.
 - (5) to encourage no less than 72% of all SMEs to get registered.
 - (6) to increase new businesses to 50,000 per year.
 - (7) to increase career groups to 10% (a year) or 6,300 groups which can operate as business enterprises.

2) Strategy and tactics for SMEs Promotion Plan No.1:

The plan consisted of two parts:

Part 1: The main strategies that can be used in all kinds of business in the country, which are:

Strategy 1: Restoring SMEs to become the main mechanism of the national economy and the society by strengthening financial status of SMEs, improving the environment, creating opportunities and improving the marketing system.

Strategy 2: Building and improving SMEs structure and reducing obstacles of doing business by: improving the law and regulations and government service for the convenience of SMEs and promoting the government and the private sectors to work together.

Strategy 3: Strengthening SMEs to have sustainable growth by: using ICT in order to reach the international standard, promoting more research and innovation development with the help from the government, the private sector, and educational institution, making connections in each business (cluster) through the information system and the supply chain, and lastly, developing human resource skills.

Part 2: Strategies for target groups. The details are as follows:

Strategy 4: Supporting SMEs to exporting internationally by increasing the export markets, developing manufacture and service to be recognized internationally, strengthening the business environment, and reducing trade barriers.

Strategy 5: Building and developing new entrepreneurs by: conducting research and innovation development, promoting ethics among entrepreneurs, creating opportunities, and SME entrepreneurs what they need, and creating a positive environment.

Strategy 6: Strengthening local SMEs and reducing the poverty problem by developing local products and skills, working in unity with local leaders and creating a good marketing plan.

2.4.2 SMEs' Promotion Plan No.2 (2007-2011)

SMEs' Promotion Plan No.2 (2007-2011) focused on promoting SMEs in sectors level in the area of entrepreneurs by helping them to see the important of adjusting the effectiveness in doing business in order to increase production, management and innovation ability. In addition, they need to be responsible for their consumers, society, and the environment. Moreover, the government needs to improve the management systems to support SMEs effectively. SMEs Promotion Plan No.2 (2007-2011) (The Office of SMEs Promotion, 2007a) can be concluded in these points:

1) The objectives or goals of SMEs Promotion Plan No.2 are as follows:

(1) to steady growth of gross value of SMEs to reach 42% of the total GDP of the country.

(2) to increased SME exports to not less than the growth rate of the total exports.

(3) to enhance Total Factor Productivity to not less than 3% per year and also to enhance the total productivity from target branch of SMEs to not less than 5% per year.

2) Strategy and tactics for SMEs Promotion Plan No.2

Strategy 1: Producing and entrepreneurs by developing enterprises:

1) Improving their motivation 2) Increasing their skills 3) Increasing their knowledge of technology and innovation 4) Improving their life quality 5) Creating business opportunities 6) Encouraging them to be responsible for their roles.

Strategy 2: Increasing productivity and innovation capacity of enterprises by: 1) Creating SMEs connections or clusters 2) Using technology in production 3) Increasing efficiency and productivity 4) Preparing SMEs for new trading systems 5) Raising the standard of quality.

Strategy 3: Increasing efficiency and reducing the impact on trading by: 1) Strengthening the potential to compete in wholesale and retail 2) Supporting and improving wholesale and retail to have a fair competition in the market 3) Building a good relationship of the government sector, the private sector, educational establishing, and people to develop wholesale and retail.

Strategy 4: Promoting the service sector and make it valuable by:
 1) Improving service sector 2) Strengthening the supply system and SMEs connection
 3) Improving the potential to compete 4) Strengthening the quality of service.

Strategy 5: Promoting local SMEs in different regions by: 1) Promoting local products 2) Promoting connections to build a strong network of SMEs
 3) Supporting basic service projects for SMEs in different regions 4) Integrating SMEs operation.

Strategy 6: Developing factors that will support SMEs business by: 1) Supporting the use of technology and innovations 2) Developing the knowledge and skills of employers and employees 3) Organizing the data and information
 4) Supporting SMEs financially 5) Providing facilities and marketing skills 6) Promoting management 7) Amending and passing laws and regulation 8) Promoting business location 9) Managing other projects that support SMEs.

2.4.3 SMEs' Promotion Plan No.3 (2012-2016)

The Office of SMEs Promotion created SMEs' Promotion Plan No.3 (2012-2016) in order to the guideline to support and develop SMEs to grow continually and able to compete in the changing world. The detail of SMEs' Promotion Plan No.3 (2012-2016) (The Office of SMEs Promotion, 2011c) are these points:

1) Goals of SMEs Promotion Plan No.3

(1) At least 250,000 SMEs register business within the year of 2016 and are able to survive

(2) The target SMEs of not less than 30,000 are developed and are able to compete within the year of 2016

(3) SMEs connections are developed: no less than 60 connection sources per year

(4) Other factors are improved to reduce some barriers and to provide more convenience for SMEs

(5) Managing and promoting some projects that support SMEs

2) Strategies and tactics for SMEs Promotion Plan No.3

Strategy 1: Promoting factors that help SMEs by: 1) Developing the organizations and people involved with the plan 2) Developing the information base

for planning, 3) Reviewing and amending laws, regulations, especially the tax law 4) Building an effective system and preparing SMEs to access funds and to increase efficiency in financial management 5) Strengthening connection mechanism for SMEs 6) Supporting the projects that are friendly to the environment 7) Improving knowledge and skills and effective innovation. 8) Improving technology and service 9) Developing marketing facilities 10) Preventing negative impacts that might happen to SMEs and restoring those that have suffered losses.

Strategy 2: Promoting SMEs competition in Thailand by: 1) increasing efficiency in all operations 2) promoting business partnerships 3) developing SMEs products and services to meet the market needs 4) raising the standard of service and products to be recognized internationally 5) creating opportunities for SMEs marketing of 6) restoring some businesses 7) building and supporting new SMEs.

Strategy 3: Promoting Thai SMEs to have a balanced growth with the regions by: 1) promoting the economic, social and cultural development of SMEs 2) increasing business potential along the borders 3) supporting SMEs to manage resources wisely and 4) promoting working in hand in hand between the government and the private sectors to support SMEs.

Strategy 4: Strengthening SMEs potential to survive in the international economy by: 1) helping SMEs to be ready for free trading and investment 2) promoting SMEs to play a role in international business 3) promoting coordination among SMEs.

2.5 Concepts of Food Industry

Food industry was the first industry supported by the government when Thailand Economic and Social Development Plan because it required less investment. Until now, there has been plenty of resources in the country that can be used in this industry. Food industry also link with other industries that can generate employment and income.

2.5.1 Definition of Food Industry

According to Food Standard Agency of British government, food industry includes all industries that are related to food production, agriculture, packaging, transportation, and selling.

Pimpen Pornchalermpong and Nitiya Rattanapanon (2012) states that food industry means an industry that brings agricultural crops, livestock, and fishery to process for food by using technology and equipment for food processing and packaging. The purpose is to increase the amount of production and the quality and for the convenience of the consumers.

Food industry brings agricultural crops as raw materials in production and uses technology in all processes. There are 4 types of food industry. Office of Industrial Economic (2009)

1) Fishery products which consist of canned and processed sea food such as canned shrimp, frozen sea food, canned tuna, canned sardine, dried sea food, and canned sea food

2) Livestock products which consist of frozen chicken, finished food products from chicken and pork such as sausage, meatball, dried, and shredded pork

3) Canned and processed fruit and vegetable products which consist of canned pineapple, canned pineapple juice, dried fruit, preserved fruit, frozen fruit and vegetable, canned baby corn, canned bamboo shoot, fermented vegetable, and orange juice

4) Rice, cereal, flour and instant food products which consist of rice, rice flour, tapioca flour, dried noodle, instant noodle, sugar, palm oil, and bean oil

Food industry is an industry that brings forth products from agriculture such as plants, livestock, and fishery together and uses technology in the production process in order to make the product for the consumers. Department of Trade Negotiation (2006)

2.5.2 Food Processing Industry

The Department of Industrial Promotion (1997: 101) revealed that the food production process of medium industries and small industries are not so much different because they both use the same processes such as mixed pickling, fermentation, drying, heating, crushing, milling, roasting, steaming, cooling, filtration, disinfection, and filling.

The industrial Standard Institute (mentioned by Reutairat Wanchum, 2011) has set up good manufacturing practices or GMP which is composed with guideline and good practices for production by focusing on preventing and eliminating any risks that may cause food poisoning and harm to the consumers. In addition, by controlling locations, buildings or structures to have safety storage and transportation.

2.5.3 Thailand's Competitors in Food Industry

Thailand was the 13th exporter for food industry (2008) which had an export value of 23,864 million dollars USD, while USA was the biggest exporter, and the export value was 111,054 million dollar USD Pornsri Laorujisawat (2010). However, when the 27 European Union countries were united, the European Union became the largest exporter in the world with an export value of 462,838 million dollars USD.

Compared to Malaysia and Indonesia, the potential in the food industry in Thailand is not different like Thailand, both Malaysia and Indonesia have a clear policy for their food industry.

1) Factors that have brought about success of the Food Industry in Thailand are as follows:

(1) Thailand has abundant resources, and food industry was the first industry that was supported in the first Economic and Social Development Plan.

(2) Thailand has a great potential in food production and export because it has a firm foundation in agriculture.

(3) Thailand has good quality of labor. Most workers are skillful and have been well trained.

(4) Customers have confidence in production and the quality of products because most products are meet the international standards, such as GMP, HACCP and Animal Welfare.

(5) Technology that will create quality and reduce costs is quality used in the process of production.

(6) Customers in different countries are satisfied with the delivery and the responsibility of Thailand's food industry.

2) Food consumption in ASEAN: Taste and value

The Office of SMEs Promotion (2013) states that consumer behaviour is, taste of an individual related to the use of products and services. In addition, it is the process of making decisions to buy products as a consumer.

Food consumption is the way people eat, their taste and their value about dietary. Hataikarn Sotdee and Umporn Chimplee (2007: 4) ASEAN's food consumption, behaviour of ASEAN member countries is described by Food Institute (2013) as follows:

Brunei Darussalam: The people eat mainly fish and rice and less beef because it is expensive. Also, they are strict to Halal food and avoid pork, and they have spicy seasoning.

Indonesia: Most Indonesian people like to eat spicy food, which contains a variety of spices and smells quite strong. The food is similar to Thai food such as chili paste, coconut milk, but they use beef, chicken, fish and egg in the soup instead of pork. They also like Durian flavored ice cream. Whatever kinds of food are being sold in Indonesia, they need to be approved and the products must have a Halal brand on it.

Malaysia: Malays like eating rice with vegetable and meat. Most fresh food is brought from the market, and they like to cook for their own families. Chicken is commonly consumed in Malaysia. In the city, ready to eat food is more popular among the people.

Philippines: The people mainly eat rice and chicken and not so much vegetable. They do not like spicy food, but sour and sweet are their favorite tastes. Most dishes have coconut milk as an ingredient. They also like fast food and bakery.

Singapore: Most Singaporeans are health conscious and do not eat a lot at a time. They like organic food, juice, and water.

Cambodia: Cambodian people buy products from a fresh market which is the center of fresh fruits, vegetables, dried food and restaurants. Thailand exports sugar, seasoning sauce, canned fish, and drink to this country.

Laos: Lao people like to have breakfast and dinner in their houses. They would pack their lunch to eat at a workplaces or eat at the restaurants near their work places. They like to eat sticky rice and papaya salad, vegetable and herbs.

Myanmar: The people like to eat rice and fresh cooked meals. Vegetable oil and MSG are very important for them. They also like to drink soda, canned coffee, and energy drink.

Vietnam: The people like to eat rice with fresh vegetable. People in the country side like to eat at home, and people in the city love to eat canned food. Vietnamese people like soda and juice, and also hot drink like tea and coffee.

Thailand: Thai people like to eat rice and spicy food that have ingredients such as chili and coconut milk. They also like fresh vegetable, herb, and seasoning. Because of a variety of fresh vegetable, herbs and seasoning, Thai food is very healthy and beneficial to the body.

Food products especially ready to eat food from Thailand are internationally recognized for their great taste and quality.

3) Thai food exported to ASEAN:

The countries in ASEAN need more Thai food products continually, and the consumers in each country have similar dietary habits to Thailand. In addition, the shipping and transporting are more convenient, so the entrepreneurs can easily contact with their customers. However, there are some countries that still lack of technology, capital in order to operate processing food (Kasikorn Thai Research Center, 2012). Nowadays, Thailand exports Thai food products to ASEAN around 6,000 million US dollars per year of all the products to ASEAN. After January 1, 2010, Thailand export numbers have been increase to 39.2% in 2010 and 33.4% in 2011 which is considered as a high rate compare to all products sent to ASEAN which was 22.5% in 2011. The main exporting market is Indonesia which was 30% of all food products sent to ASEAN and then Malaysia, Cambodia, and Vietnam. The important products to exports were sugar which was 26.9% of all food products to ASEAN and then rice (15.9%) and beverage (11.4%). (EXIM Bank, 2012)

The top 5 food products that Thailand exports to ASEAN are shown in Table 2.4

Table 2.4 The Top 5 Food Products that Thailand Exports to the ASEAN Market

Country	The top 5 food products that Thailand exports
Indonesia	Sugar, rice, tapioca products, fresh fruit, whole wheat products
Malaysia	Vegetable oil, sugar, rice, tapioca products, corn
Cambodia	Livestock products, sugar, beverages, milk and seasoning
Vietnam	Corn, sugar, beverages, fresh fruit, fresh chilled or frozen shrimps
Singapore	Chicken, rice, sugar, dairy products and beverages
Myanmar	Beverages, dairy products, wheat, vegetable oil and seasoning
Philippines	Wheat products, sugar, rice, seasoning, and beverage
Laos	Frozen chicken, meat, beverage, sugar, milk products
Brunei	Vegetable oil, sugar, rice, tapioca products, corn

Source: EXIM Bank, 2012.

In order to be successful in the ASEAN market, SMEs need to study behaviours and needs of the consumers in ASEAN countries. From the information of EXIM Bank (2012), ASEAN members can be divided into 2 groups based on the consumers' behaviours.

ASEAN-5: Consisting of Brunei, Indonesia, Malaysia, Philippines, and Singapore. The consumers in this group which more income, and they like food that is healthy and convenient. SMEs should focus on packaging and products that are good for health.

CLMV: Consisting of Cambodia, Laos, Myanmar, and Vietnam. They do not have high income, so the prices of the products should not be too high. Consumers in this group have the same behaviour of consumption as Thai people.

Therefore, studying and understanding the consumption behaviour of each country will give Thai SMEs more advantages because they will be able to provide the products that serve the need of the consumers. In addition, learning about marketing and competitors' movements are very essential.

2.5.4 Ingredients

Pimpen Pornchalermpong and Nitiya Rattanapanon (2013) explained that ingredients are the mix of raw materials from livestock and fishery used to cook these raw materials may be processed to add value and preserved to be kept longer. There are 3 sources of ingredients: from animals, from plants, and from microorganism.

Nowadays, agriculture industry uses the standard of Good Agricultural Practice or GAP which focuses on safety and the clean production process.

Wisit Jawasit et al. (2002) studied unique characteristics of Thai food and divided them in three groups: Low, medium, and high of Thai uniqueness.

Thai food is an art of cooking. It shows Thai people's skills and wisdom. It is healthy with different kinds of herbs and vegetable. Moreover, with the taste that is unique and delicious, many dishes are well known such as Tom Yam Kung and Pad Thai.

2.5.5 Seasonings

Pimpen Pornchalermpong and Nitiya Rattanapanon (2013) define seasonings as something that adds flavors to the food. It can be either solid or liquid such as sugar, spice, pepper, soy sauce, vinegar, and fish sauce.

Ingredients that Thailand export to other countries are curry paste, powdered seasoning, oyster sauce, fish sauce, shrimp paste, coconut milk, and chili seasoning. In 2005, the export value was worth 4,400 million baht and The curry paste has the most export which was 25%, fish sauce 21% and chili sauce 20%. The market for Thai seasoning and spices worth 9,300 million Baht per year and enhance rate is 12% per year. Thailand's major export markets are Japan, United States and Australia with the value of 20%, 15%, and 8% while China and Vietnam are major competitors.

In 2006, the export value was worth over 1.7 hundred billion baht, with an average growth rate of over 12 percent per year. The total value of imports of spices and condiments in the world together was worth more than 3 hundred billion (Department of Industrial Promotion, 2007).

The major export markets for curry paste from Thailand are the European Union and the United States, followed by Australia. The markets for fish sauce are the USA, the EU, and Japan. Thailand's main competitors are China, Hong Kong,

Indonesia, the Philippines, Malaysia, Vietnam, Germany, and the USA. (Wisit Jawasit et al., 2002)

2.5.6 Spices

Wisit Jawasit et al. (2002) define spices as spicy aroma of different kinds of plants to add flavor and taste to food. It is an indispensable part of Thai food.

Jirapa Leungarunlert (2004) explains that spices are plants that give taste and aroma. Spices are added into food with the intention to create good smell and taste rather than to give nutrition.

Production of spices in 2003 was averagely 207,000 tons per year. The quantity depended on the climate each year. Thailand grows a lot of garlic and pepper.

The countries that are major trading partners of Thailand are the EU, Japan, the USA, the Middle East, Pakistan and ASEAN countries. (Wisit Jawasit et al. 2002)

In seasoning market, Thailand has China and Vietnam as main competitors. For Thailand to be number one in this market, it will have to grow 10% in 10 years. Or in 2017, Thailand will be able to export seasoning sauce and spices 10,000 million Baht per year (Department of Industrial Promotion, 2007). Since food product industry needs to rely on spices industry, Thailand would have more advantage to compete with other countries because Thailand can produce its own spices to use in the country and export to others.

2.6 The Overview of the Potential of Food Industry in Thailand

There are many consumers in the world that need a variety food of products. Thailand's food industry is growing very fast, contributing to more employment and economic growth. Thailand's industry focuses on clusters or group industries. The Thai goal served its to cope with changes in the global context. For example, making Thai food to be the "Kitchen of the world". (Ministry of Industry, 2011)

The Office of SMEs Promotion regards food industry as an important industry because of the high number of employment and the use of material from agriculture. In addition, food industry also links to packing industry, transportation services, restaurants, and hotels. In addition, The Office of SMEs Promotion selected a group

of industry as an important industry to economic system, entrepreneurs, and the labors in SMEs to receive positive impacts more than negative impact. (The Office of SMEs Promotion, 2012b)

Thailand's food industry has high potential because Thailand has plenty of raw material from agriculture, fishery, and livestock. In addition, high technology in food processing add more value to food for international export.

The group of food industry in the meaning of Chulalongkorn University, Chula Unisearch (2005) stated that food industry is the industry that brings agricultural products such as plants or vegetable, livestock, and fishery to be the raw materials to produce by using technology in the process. The purpose is for the convenience of the consumers, and prolong the time for this products to be used in other processes as the instant products.

2.6.1 Details of Thailand Food Industry Groups

2.6.1.1 Classification of Food Industry in Thailand

The Office of SMEs Promotion divides food industry in Thailand in 4 groups: 1. rice, crop, tea, coffee, and cocoa, 2. vegetable, grain, and fruit, 3. livestock, and 4. fishery.

Thailand plays as an important role in food industry in ASEAN, in response to demands from the consumers, because of utilization of technology and readiness to produce in large quantity.

2.6.1.2 Based on the research conducted by the Food Industry Production in Thailand

Ministry of Agriculture, statistics about the export and import of food industry in Thailand (The Office of SMEs Promotion (2011b) are presented in Table 2.5.

Table 2.5 Basic Information of Agriculture

Food	Amount in Volume	Domestic Consumption	export	Import	Important Partners	Important Competitors
Crops						
Rice	31.70 (Paddy) (Million Tons)	12.08 (Rice) (Million Tons)	8.94 (Rice) (Million Tons)		USA, Ivory Coast, Senegal, Ghana, Hong Kong, Singapore, China, Iraq, Iran, Malaysia, Netherlands, Japan, Senegal, Cote d'Ivoire, Togo, Nigeria, Benin, South Africa, Russia, Yemen, Arab Republic	USA, Vietnam, Australia, China, Pakistan, Myanmar, India
Maize	4,454,445 (Tons)	4.28 (Million Tons)	393,319 (Tons)	366,747 (Tons)	Vietnam, Malaysia, the Philippines,	United States, Argentina, Brazil,
Sorghum for Animals	54,030 (Tons)	47,835 (Tons)	6,543 (Tons)		Philippines, Taiwan	United States, India, Australia
Cassava (Factory)	22,005,740 (Tons)	7.41 (Million Tons)	6,704,687 (Tons)		EU, China, Japan, Indonesia, Taiwan,	Vietnam, Indonesia
Sugar Cane (Factory) (Rate : Cane 1,000 Kilograms = Sugar 106 Kilograms)	7,293,627 (Tons)	2.27 (Million Tons)	4,500,719 (Tons)		Indonesia, Japan, Cambodia, Taiwan, China	Australia, Brazil, South Africa
Pine Apple (factory)	1,924,659 (Tons)	0.20 (Million Tons)	689,895 (Tons)		United States, Germany, Russia, Netherlands, Spain	Philippines, Indonesia
Soybean	177,222 (Tons)	1.86 (Million Tons)	958 (Tons)	1,818,705 (Tons)	Brazil, Argentina, USA	
Green Bean	97,957 (Tons)	89,000 (Tons)	22,773 (Tons)	24,313 (Tons)	United States, Sri Lanka, Malaysia, Philippines	Myanmar, France, Laos, Indonesia
Peanut	45,509 (Tons)	133,098 (Tons)	1,166 (Tons)	88,756 (Tons)	USA, Philippines, Laos, Malaysia, Myanmar	China, India, Vietnam
Fruit and Perennials						
Palm Oil	8,223,1351 (Tons)	1.259 (Million Tons)	266,006 (Tons)	44,421 (Tons)	Malaysia, China, Myanmar	Malaysia, Indonesia
Coffee Seed	48,955 (Tons)	58,000 (Tons)	514 (Tons)	16,480 (Tons)	USA, Italy, Laos, Malaysia,	Vietnam, Indonesia
Tea	67,241 (Fresh) (Tons)	n/a	2,615 (Dried) (Tons)	1,856 (Dried) (Tons)	Taiwan, Cambodia, USA	India, China, Sri Langa
Longan	525,230 (Tons) (Fresh, and Process)	45,000 (Tons) (Fresh, and Process)	303,477 (Tons) (Fresh, and Process)		Indonesia, China, Hong Kong, Malaysia, Singapore, USA, France and Japan	Vietnam, China

Table 2.5 (Continued)

Food	Amount in Volume	Domestic Consumption	export	Import	Important Partners	Important Competitors
Durian	568,067 (Tons) (Fresh, and Process)	320,941 (Tons) (Fresh, and Process)	247,126 (Tons) (Fresh, and Process)		United States, Australia, China, Hong Kong, Indonesia, Taiwan Netherlands, Singapore, Russia	Vietnam, Malaysia, Australia
Mangosteen	250,508 (Tons)	130,936 (Tons)	119,572 (Tons)		China, Hong Kong, Vietnam, South Korea, Taiwan, Japan	Indonesia, Vietnam
Rambutan	337,721 (Tons)	328,273 (Tons)	9,448 (Tons)		Malaysia, Hong Kong, USA, Singapore, Malaysia, Vietnam, Cambodia, Malaysia, Myanmar	Indonesia, Vietnam
Lychee	43,581 (Tons)	5,111 (Tons)	38,470 (Tons)		China, Hong Kong, Indonesia, Netherlands, USA, France, Vietnam, Malaysia, USA, Canada	China, Vietnam
Pepper	6,391 (Tons)	4,069 (Tons)	3,179 (Tons)	2,132 (Tons)	Poland, Australia, India, Germany, Hong Kong, Netherlands, Taiwan United Kingdom United States	India, Indonesia, Malaysia, Sri Lanka, Vietnam
Longkong	151,806 (Tons)	150,026 (Tons)	1,780 (Tons)		Cambodia, Vietnam, USA	
Mango	2,550,595 (Tons)	2,502,982 (Tons)	47,613 (Tons)		United States, England, Japan, Vietnam, Malaysia, China, South Korea, Australia	Philippines, India
Oranges	280,190 (Tons)	277,283 (Tons)	2,907 (Tons)		Germany, Singapore, China, Hong Kong, Laos	China, Vietnam, Philippines
Pamelon	294,949 (Tons)	282,800 (Tons)	12,149 (Tons)		China, Hong Kong, Laos	Israel, Vietnam
Banana	242,319 (Tons)	235,579 (Tons)	6,740 (Tons)		Japan, China, Laos	Ecuador, the Philippines
Vegetable						
Garlic	68,108 (Tons)	138,600 (Tons)	209 (Tons)	64,362 (Tons)	USA, Malaysia, UK	China, Myanmar
Red Onion	180,696 (Tons)	171,005 (Tons)	24,941 (Tons)	14,922 (Tons)	Malaysia, Indonesia, Singapore	Philippines, Vietnam
Onion	46,464 (Tons)	72,076 (Tons)	24,035 (Tons)	49,646 (Tons)	Japan, Malaysia	China, Vietnam
Potato	132,818 (Tons)	215,777 (Tons)	3,126 (Tons)	86,085 (Tons)	Japan, Singapore, Taiwan, Korea	China

Table 2.5 (Continued)

Food	Amount in Volume	Domestic Consumption	export	Import	Important Partners	Important Competitors
Livestock						
Pork	12,119,509* (Tons)	0.93 (Million Tons)	9,724 (Tons)		Hong Kong, Japan	China, Brazil, USA
Chicken Meat	1,403* (Million Tons)	0.898 (Million Tons)	864,432 (Tons)		EU, Japan, South Korea,	Brazil, China, USA
Chicken Eggs	39.42 (Million)	9,607 (Million Eggs)	143.80 (Million Eggs)		Hong Kong, Africa	China, USA
	9,757 (Million Eggs)					
Cow (Meat)	1,160,275* (Cows)	1.25 (Million Cows)	254,601 (Alive)	26,479 (Alive)	Hong Kong, Japan, Malaysia, Laos, Cambodia	Myanmar, Cambodia, Laos, Australia
			(Meat Products: Tons)	(Meat Products: Tons)		
Cow Milk, Raw Milk	218,595 (Cow Milk) 850,767* (Raw Milk) (Tons)	862,495 (Milk) (Tons)	95,067 Milk Products (Tons)	179,119 (Milk Products) (Tons)	Australia, New Zealand, USA	
Fishery						
Shrimp-Aquaculture	640,280 (Tons)	55,000 (Tons)	426,699 (Tons)		USA, Japan, the European Union, Canada, South Korea	China, Vietnam, Indonesia, India
Tuna		1,000 (Chilled, Frozen : Tons)	17,860 (Chilled, Frozen : Tons)	831,004 (Chilled, Frozen : Tons)	USA, EU, Japan, Australia, Egypt, Saudi Arabia, Canada	Philippines, Indonesia and Ivory Coast, Spain, Vietnamese
		31,861 (containers carbonated : Tons)	605,365 (containers carbonated : Tons)	5,634 (containers carbonated : Tons)		

Source: Basic Agricultural Statistics Document No.416, Office of Agricultural Economics, Agricultural Economics Ministry, 2010. Collected by the Office of SMEs Promotion, 2011b.

Note: The volume of domestic exports, imports, and manufactured products converted to the weight (tons) for comparison with the yield (tons)

Table 2.5, shows Thailand has high potential to produce both raw and processed products such as grain products, fruits, vegetables, eggs, chicken, pork, shrimp without importing them. However it has to import some. It uses technology to process food before selling it to the market grains, soybeans, green beans, coffee, tea, pepper, shallots, palm oil, onions, potatoes, milk powder, dairy products including fisheries/aquatic fish, tuna, etc.

SMEs in food industry have the following characteristics:

Table 2.6 The Index of Value of Food Industry from 2001 to 2010

Index	Value
The value of exports in ASEAN	92,638.47 Million Baht
Ratio of exports to GDP in ASEAN countries	2.34%
Balance of Trade in ASEAN	64,438.90 Million Baht
Trade Value in ASEAN	120,838.04 Million Baht
Index of comparative advantage (RCA Index)	2.260
The number of SME	95,506 SMEs (99%)
Percentage of workers in SMEs	51%

Source: The Office of SMEs Promotion, 2011b.

From Table 2.6, it can be conclude that:

1) The value of exports in ASEAN countries was ranked as the fourth, compared with 15 industries, representing the value of 92,638.47 million Baht, especially from 2008 to 2009 was 36.8% as a result of the establishment of the ASEAN Free Trade Area.

2) Like the value of exports to GDP in ASEAN countries was ranked the fourth with the value of 2.34%.

3) Thailand's trade surplus was ranked the second with the value of 64,438.90 million baht, and from 2008 to 2009 was 47.20%.

4) Food industry in ASEAN countries was rank the fifth compared with 15 key industries, and the value is 120,838.40 million baht, and from 2009 to 2010 as 31.3%.

5) Thailand's RCA value came the second with the average value of 2.26.

Table 2.7 RCA Average Value

No.	Industry	RCA Average
1	Rubber	5.47
2	Food	2.26
3	Jewelry	1.92
4	Packaging and Plastic Products	1.37
5	Machines	1.22
6	Electronic	1.22
7	Glass and Ceramics	1.18
8	Fabric and Clothing	1.16
9	Leather and Shoes	1.03
10	Wooden Furniture	0.86
11	Automotive Parts	0.66
12	Printing	0.63
13	Iron and Steel	0.56
14	Block	0.51
15	Medicine and Herb	0.06

Source: The Office of SMEs Promotion, 2011b.

6) The proportion of SMEs (during 2001-2010) for food industry in Thailand came the second, compared with 15 key industries 95,506 SMEs, and 99.6% of the total production in the food industry.

7) The proportion of employees in SMEs was 1,665,983 or 51%. The proportion of employees in food industry was 51%. The bigger industry proportion was 1,571,795 people or 49%.

2.6.1.3 Value Chain Analysis

Thailand is a country that can produce food products to consume within the country and also export to other countries especially agriculture products such as rice, crops, garden plants, vegetable, fruit, fishery, and livestock. In addition, Thailand has an advance technology in processed food products, and there are manufacturers who are strong in retail, wholesale, and export to other countries.

Thailand is a resourceful country that can produce enough food for people in the country and also has surplus to export to other countries. Therefore, food industry is one of the biggest industries in Thailand, and there are many of organizations in the government and the private sectors that facilitate and strengthen this industry continually. This can be seen from SMEs value chain analysis in Figure 2.5. (The Office of SMEs Promotion, 2011b)

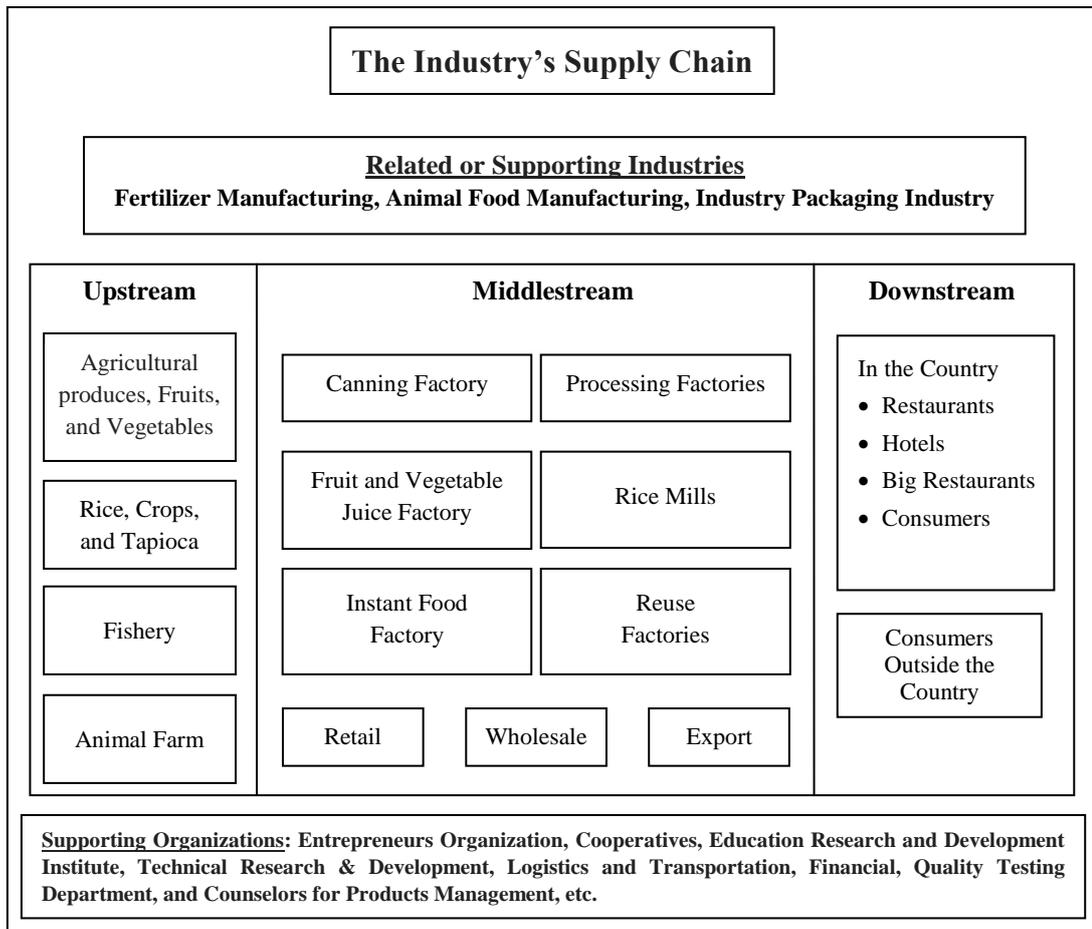


Figure 2.5 SMEs' Value Chain of Food Production

Source: The Office of SMEs Promotion, 2011b.

The potential for rapid development of the food industry in Thailand enables the country to earn high revenue. When Thailand entered the AEC by the year of 2015, when the integration of the AEC is complete, economic coordination with other countries will increase.

With high technology used in the production process, SMEs have continued to earn a high revenue for Thailand of not less than 92,638.47 million baht each year. Most of the entrepreneurs, are from SMEs which is 99.6%. (The Office of SMEs Promotion, 2011b)

2.6.1.4 Highlights of Thai SMEs in Food Industry

- 1) Thailand has entrepreneurs with expertise and technology capabilities to enhance their productivities both in large scale businesses and in SMEs.
- 2) Thailand's food production has been standardized and widely accepted for its quality and safety by consumers in ASEAN or consumers in other regions such as Europe and Japan.
- 3) Thai people are very delicate in cooking, and they are very skillful.
- 4) The policy of the government continually supports agriculture.
- 5) Most industries are SMEs in Thailand (99.6%).
- 6) The food industry's entrepreneurs should get together to build a network to exchange knowledge and to have bargaining power with other countries.

In Thailand's food industry has faced three major problems (The Office of SMEs Promotion, 2012b):

- 1) The sources of raw materials are fewer than before and raw materials become very expensive.
- 2) The costs of energy and labor are higher, so the industry will have less profit.
- 3) Some laws and regulations are too complicated so they are hindrances for the business to grow faster.

Thailand should solve the problems by adding up more value in every process of each industry in order to avoid being in the low price market. In addition, each food industry should get together to form a network. Furthermore, Thailand should use free trade as an opportunity to enhance their investment and try to be the center of food processing industry in ASEAN.

2.6.2 The Export of Thai Restaurants

Thai restaurants have been bringing some major income to the country both directly and indirectly. Therefore, the Ministry of Commerce has supported this

business to go international since 1997. For example, in the USA, many Americans favor Thai food because it is healthy. So, marketing, production process including service to those who come to Thai restaurants are very important. In addition, the restaurants can also offer fast food but still retain Thai culture and deliciousness. (Wisit Jawasit et al., 2002)

In each country, the Thai embassy has carried many activities to promote Thai food, such as holding a Thai food festival and publishing Thai cook books. More importantly, the Ministry of Commerce has awarded a certificate “Thai Select” to guarantee the quality of the restaurants. More and more countries in Europe, Asia, Australia, and the Middle East are interested in importing Thai food and set up Thai restaurants. This is a great opportunity to promote, food industry and make sure that Thai restaurants have the best quality and service.

2.7 The Overview of the AEC

2.7.1 The History of ASEAN

ASEAN or the Association of Southeast ASEAN was established on August 8, 1967 with 10 countries as members. In the beginning, there were 6 member countries which were Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand. Later, Cambodia, Laos, Myanmar, and Vietnam joined the groups. We called the last four countries “CLMV”.

The original goal of ASEAN was to promote peace in Southeast Asia. Later, there were more trade barriers in different countries of the world, so ASEAN became united and focused on developing the economy of its member countries.

ASEAN now has three main objectives (Department of Industrial Promotion, 2012: 8-10)

- 1) to promote economic, social, and cultural development in the regions
- 2) to maintain the economic stability and security of the region
- 3) to be a center to solve problems or any disagreements

Since the establishment of ASEAN, many projects emerged for example, ASEAN Free Trade Area or AFTA was set up in 1992 in order to support trading,

service business, and investment in the region. There are three major pillars of ASEAN community: ASEAN Security Community, ASEAN Economic Community, and ASEAN Social and cultural Community. The ASEAN Charter is acting as a law or regulation to make sure that all the members act upon legal binding.

2.7.2 ASEAN Economic Community

ASEAN Economic Community or the AEC held an economic conference in 2015. To create a single market and single production base. With the free flow of products, service business, investment, and skillful labor and capital. Among member countries, people will have an opportunity to choose various kinds of products and services, and they can travel around ASEAN more conveniently (The Office of SMEs Promotion, 2010).

According to the goals of ASEAN are detailed below.

1) Being a single market and production base with harmonization of rules and regulations. Including the standard, quality, price, tax, and trading regulations, elimination of barriers, are the free flow of human resource, service and investment.

2) Building and Supporting ASEAN to be a highly competitive economic region in terms of basic structure development, telecommunication, finance and banking, fair trading, and intellectual property protection.

3) Developing the economy of each member country to reach the same level for ASEAN integration.

4) Connecting ASEAN to the world's economy by focusing on an effective policy.

The reasons why ASEAN needs to be urgent in setting its policy and working together to realize it are:

1) the desire to win the consumers from China, India, and Russia.
2) to strengthening the ASEAN economy to compete with other regions in the world.

3) to convenient the flow of products, service, investment and labor among the ASEAN member countries.

4) to better the living standard of the people.

2.7.3 Factors for the Success of the AEC

The unity of the countries in ASEAN is very important. Each country needs to sacrifice some of its advantage for the benefit of the community. However, some basic needs must be met to enable all projects to be successful.

- 1) Energy, transportation, and education must be developed.
- 2) A solid policy must be set in order to have bargaining power in negotiation. Regulations must always be charged in accordance with the members' agreement.
- 3) The process of making decision with majority vote must be clear, and benefit the whole community.
- 4) A rule-based society must be built that strictly follow the laws and regulations.

2.7.4 Thai SMEs to the AEC

Supporting SMEs to be ready for the AEC is related to Strategy 4 of SMEs Supporting Plan No.3 (2012-2016). It is essential for entrepreneurs to be educated to have knowledge about the AEC and the benefits SMEs will gain. In addition, the AEC is trying to promote a single market and production base with free trading of products, service, the free flow of investment and labor. All should be completed in 2015.

It can be said that the AEC will help enhance trading and investment in Thailand. The other 9 countries in ASEAN will come even the burden to each other will help the Thai economy to grow. The Office of SMEs Promotion, which acts as the center to support and help SMEs has therefore set SMEs' Promotion Plan No.3 (2012-2016) as a guideline for SMEs to be ready for the AEC. The objectives of the plan are:

- 1) to educate and give training to SMEs to make them understand about laws, agreements, and regulations under the AEC.
- 2) to study opportunities for SMEs in different areas and impacts on them.
- 3) to give assistance and suggestions to relieve SMEs from impacts or problems, and also to provide funds for business improvement or change.

4) to support and facilitate SMEs to invest outside the country in business.

5) to promote the business connection of SMEs in ASEAN.

6) to promote and encouraging the consumers to use products and services from Thai SMEs.

2.7.5 Thai Food Industry to the AEC

Thai Food industry has a great potential to expand and to be SMEs.

In 2004, Thailand's export of food industry was 12.93% of all the industries, accounting for 7.71% of GDP (Chulalongkorn University, Chula Unisearch, 2005). The process of food production is qualified and recognized by consumers in ASEAN and all over the world. From 2001 to 2010, the trading value was 120,838.04 million baht, the export value was 92,638.47 million baht, and the trade balance was 64,438.90 million baht.

The government has a policy to promote Thailand to be the Kitchen of the World through the integrating work of the Ministry of Health, the Ministry of Commerce, the Ministry of Agriculture, and the Ministry of Industry. The work is divided as follows:

1) The Ministry of Agriculture will control prohibited chemicals in food processing.

2) The Ministry of Commerce will be responsible for distributing products to different markets.

3) The Ministry of Health will educate people involved in the production process to have knowledge about food safety.

Delicious food, speedy product distribution, restaurant promotion, and modern processing methods add more value are all important in international competition. In addition, the government has promoted food safety since 2001. The year 2004, for example was promoted to be "The Year of Food Safety". (Department of Food and Agriculture Standard, 2004)

Nowadays, food safety has been mentioned widely especially in developed countries, such as the EU and the USA, and it is used for trading bargain. Therefore, the quality assurance system is very important in food industry. It is to make sure that

every food production process is safe, clean and meets the standard. These are the steps of qualified food product. (Ministry of Public Health, 2013)

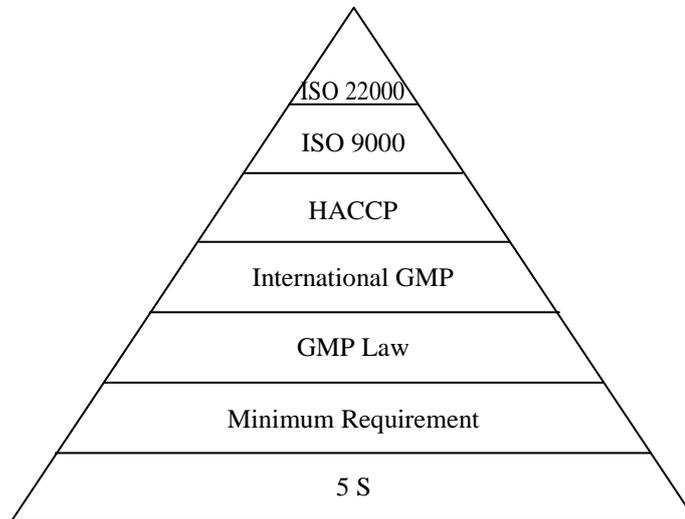


Figure 2.6 The Steps in Food Quality System

Source: Ministry of Public Health, 2013.

1) 5 S

Rules are essential in improving production, quality, cost, delivery, safety, motivation, and environment in work setting. The 5 S rules are clear: Seiri (organize), Seiton (convenience), Seiso (clean), Seiketsu (hygienic habit), and Shitsuke (building positive habit and characters).

2) Minimum Requirement

The minimum requirement of food quality is prescribed in to the Food Law and Regulations, of 1979 set by the Committee of Food and Medicine. The objective is to encourage entrepreneurs to look after their location and materials as specified in the safety rules. In addition, the Ministry of Health uses the GMP standard to control food sold to food factories or restaurants.

3) Good Manufacturing Practice: GMP

GMP consists of six requirement that applies the international standards or Codex to control food industry's production.

The six requirements concern: 1) Location and setting 2) Machines or materials for production 3) Production control 4) Sanitation 5) Maintaining and cleaning 6) Personnel and workers' health.

4) International GMP

Before entering the HACCP system, manufacturers must make sure that they pass the international GMP by abiding the general principle of food hygiene. The standards for industries in Thailand: 1) Design and encompass facilitation 2) Operation control 3) Maintaining and sanitation 4) Personal Hygiene 5) Transportation 6) Product information 7) Training.

5) Hazard Analysis Critical Control Points: HACCP

HACCP is a recommendation codex code of practices or the general principle for food hygiene which has been promoted by Food and Agriculture Organization of the United Nation (FAO) and World Trade Organization: (WHO). It covers the protection from biological hazards, chemical hazards, and other contamination. In addition, HACCP has 7 principles: Analyzing the danger, looking for the critical point that needs to be controlled, identifying the crisis, setting up the follow up system, improving the check to prove the quality of the HACCP system, sharing information about products and building the correct understanding to consumers, and organizing information about the procedures and records.

6) International Organization of Standardization: ISO

In Thailand, ISO 9001: 2000, has been adopted, which has 4 major principles concerning 1) quality management 2) production and service responsibility 3) resources management 4) production and/or service.

ISO 22000: 2005 is also an international system being used to manage the safety system of food chain. It combines ISO 9001 and HACCP with the following principles: 1) safety food management 2) responsibility for management 3) human resources 4) planning for safety products 5) checking and improving the safety system.

All the systems and standards above have to be achieved, as food industry in Thailand are increasingly well known across the world. In order that Thailand can really become "The Kitchen of the World" everyone that is part of the whole process should keep in mind all the standards in order to give the best products

or service to the consumers. Thailand have to apply all the international quality standards such as GMP, HACCP, and ISO, and use the computer and technology in the production system and the qualified process.

2.7.5.1 Guidelines for SMEs in Food Industry to the AEC

The account of SMEs in food industry to the AEC can be summarized as follows:

1) Export

According to Kasikorn Thai Research (2012), there are three groups of food products: 1) Fresh food or food directly sold to the consumers 2) Food as raw materials sent to factories 3) Processed food or instant food.

The promotion policy, consisted of two kinds of promotion: direct promotion measures and indirect. The components of direct promotion are export promotion, tax system, export finance, and export insurance. The tools for indirect promotion are observing and collecting information to promote export, establishing the export committee, creating activities to promote, to awards, and to check the quality of products, and to support creative designs.

The policy of export promotion can be divided into promoting the whole picture of SMEs by many agencies, and promoting individual SMEs. Some organizations that promote export for SMEs are for instance, the Foreign Trade Department, the Department of Export Promotion, and the Chamber of Commerce.

2) Licensing

It means the owner of a company or the licensor allows other companies outside the country produce or provide services under its trademark and control of the owner. The owner of the company outside the country needs to pay the royalty fee. There are many factors the owners need to do or to consider before allowing other countries to operate their businesses: 1) conduct some marketing research before giving the licensing 2) making sure to have clear agreements in the contract 3) considering education, experience in management, history of doing business the contractors. (Chanongkorn Kultonboot, 2001)

3) Franchise

Franchise has become popular in Thailand and also in other countries, especially in food business. According to the Franchise and License

Association (2013), franchising means the process of transferring business that has already been proved by a group of individuals to be successful to others under the brand or the same service through a lawful contract between the two parties.

Franchising is growing very fast in Thailand especially in food and beverage business, which need a lot of support from the government. (The Office of SMEs Promotion, 2010: 12-13)

In Thailand, Franchise Business and Thai SMEs or Franchise Business and Thai SMEs Association (FSA) is responsible for promoting SMEs and the franchise system, It encourages SMEs to use technology to upgrade their marketing skill in order to make these businesses ready to compete internationally.

4) Investment

Some agreements have been made to promote investment in ASEAN. They are, for example, The ASEAN Investment Area and ASEAN Comprehensive Agreement, which composes the following principles: 1) open for free investment, protection, and promoting investment 2) promoting and enhancing more investment in the regions 3) giving benefit to investors 4) the rights for the members 5) having no past obligation 6) giving special counseling according to the needs 7) giving appropriate compensation 8) extending the agreement to other branches in the future. Investment covers 5 areas; agriculture, fishery, wood, mining, and industry.

According to The Office of SMEs Promotion (2011a), effective ways to promote investments in ASEAN include: 1) Promoting the growth of SMEs among the countries in ASEAN 2) Supporting industry connections in ASEAN 3) Assigning investment representatives to develop each region 4) holding training courses or seminars about investment 5) Exchange information or experiences that will be beneficial to investment.

Free investment has positive impacts (Siam Commercial Bank, 2012) The law and regulations that might be trade barriers for foreign investors have been eased. There will be more investors from outside ASEAN under AFTA. Thai investors can go to other ASEAN countries under ASEAN Comprehensive Investment Agreement (ACIA) to reduce the cost of production. On the other hand,

there are some negative impacts. For example some industries may be or cannot grow. Also, there might be a competition among ASEAN countries for investment funds.

Therefore, Thai SMEs that desire to invest overseas should consider many factors, such as tax, production, transportation, tradition, culture, and language.

2.7.5.2 The Overview of SMEs Financial Policy for the AEC

Since the economic crisis in 1997, the Thai government has financially supported SMEs more than ever finance by building connection between SMEs and financial institutions and also private sectors. In addition, the government encouraged these financial institution to have a policy to support SMEs financially. For the government policy, there are debt financing and equity financing. (Economic Research and Training Center, 2008)

- 1) Providing loan sources to SMEs
- 2) Funding the SME investors.

The government has also granted venture capital for long term investment by buying stocks from the business that has great potential. The public organizations that support SMEs are:

- 1) Government Institution Agencies
 - (1) Small and Medium Enterprise Bank of Thailand (SME Bank): To give financial support to SMEs
 - (2) Bank for Agricultural and Agricultural Cooperatives: To support agriculture
 - (3) Export and Import Bank of Thailand (EXIM Bank): To support importers and exporters
 - (4) Government Saving Bank (GSB Bank): Support SMEs to have money to develop technology and other training.
 - (5) Thai Credit Guarantee Corporation: To give credits and loans to SMEs

- 2) Financial Institution in the Private Sector

All the banks offers services to SMEs, such as Bangkok Bank, KrungThai Bank, Kasikorn Bank, and SCB Bank.

3) Investment Institutions

Investment Institute has a responsibility to support SMEs to have capital and manage venture capital such as Market for Alternative Investment (MAI) and One Assess Management.

The policy to support SMEs financially is urgent in which The Office of SMEs Promotion assigned in SMEs Strategic Plan No.2 (2002-2006). The objective is to help SMEs that lack of capitals, and in the past, the policy of the government is unified with the policy of private sectors. (Economic Service Center, 2008)

2.7.5.3 Predicted of the Impacts of Thai Food Industry in the AEC

As Thai food industry is entering the AEC, there might be both opportunities and some obstacles for SMEs. Kasikorn Thai Research Center (2012) stated that food industry will have many benefits from the AEC which are:

- 1) Thai SMEs have a greater opportunity to export their food products to ASEAN than in the past because of tax reduction.
- 2) SMEs can import products from ASEAN at lower prices.
- 3) SMEs can increase their investment in areas where weather, labor, resources and other producing factors are better.
- 4) SMEs can make connections within ASEAN to have power in to compete with other regions of the world.

From studying the whole picture, when Thai food industry enters the AEC, there are some possibilities of positive and negative impacts.

Positive Impact: There have been an increasing amount of food exportation. After the opening of the AEC, Thailand will even have more chances for food processing industry or ready to eat food.

Negative Impact: There will be more intense and higher competition and lack of labor. This might lead to financial weaknesses within the country.

2.7.6 Summary of Government Support for SMEs

Because of there were many problems occurred for SMEs, the government came up with many strategies to help and support. On January 8, 2013, there was a meeting to adjust to the minimum pay in order to increase the ability of SMEs

according to the offer from the Ministry of Labor, and the responsible department took this policy and implement it right away.

The policy to adjust the minimum pay to increase SMEs potential by the agreement of the council of ministers by Strategic Development Group, Bureau of Policy and Strategy (Thailand Government, 2013) can conclude:

- 1) Adding more fund through the loan process
- 2) Reducing the cost of SMEs by the tax process
- 3) Increase the quality of labor
- 4) Raising more income for entrepreneurs
- 5) Promoting sales

2.8 Potential Strengthening Theories

The Dictionary of the Royal Institute of Thailand (1999) defines “strengthening” as adding or to making something firm. This definition is similar to the meaning given in the Merriam Webster Dictionary (2013).

According to the Royal Institutes of Thailand (2003: 1905) “Potential” is hidden power or quality that can be developed.

Seri Pongpit (2004: 135) defines “Potential” as the ability that has not yet been developed fully, or it is a hidden power that has not been expressed yet.

Pimpimol Polwiang (1999: 10) states that potential is related to three important words which are power, ability, and energy. So, potential is the power or hidden ability of an individual or an organization that can be used if there is motivation from outside.

Sangkom Kunkanakornsakun (2001: 249) says that “Potential” is the hidden power or ability that needs to be motivated.

Sian Sawet (1989: 23-25) states that “Potential means to know what oneself is doing and if it is the right thing. Good thinking and having cautiousness.

Pakorn Preeyakorn (1984: 29) said that “Potential is the power that can be seen or hidden and this power can be developed.

Silzer and Church (2009) define “Potential” as the ability to grow, develop or become something positive. The root word for potential is the French word

“potenciel”, which actually comes from Latin “potential” which means power, or “potent” means “to be able”. It has not yet been developed fully.

Therefore, the potential of SMEs means the ability, power, resources, management, and hidden things in food industry that can be used to develop and improve. We can have to be able to answer questions such as why SMEs need to develop of search for potential. The answer is to be prepared and ready for the AEC and to be able to compete in SMEs food industry market in ASEAN. From literature review, it is found that the potential of SMEs come from these factors:

2.8.1 The Concept of Leadership

The general definition of leadership is someone who can persuade people in an organization, set goals, lead to success (Nahavandi, 2003) The leader would be able to change the action of the members in the group (Gibson et al., 2006). The leadership theory has been developed from Great Man Theory and Trait Theory. Leaders are different from the followers. There are two man types of leadership: Transactional Leadership, which focuses on management and Transformational Leadership which focuses on changing or adapting attitude of people in the organization.

Transactional Leader pays attention to the economic principle or the results from exchanging ideas between the leader and the followers. The leader will make sure to manage resources well enough for each group to perform their duties. Transformational Leader is the leader who has an ability to know the potential or needs of the followers. The leader must know how to motivate and encourage the followers to use their ability to accomplish the goals of the organization (Tarabishy, 2005). The leadership with changes has 4 aspects (Bass, 1985): Idealized Influence, Individualized Consideration, Intellectual Stimulation, and Inspirational Motivation.

Leadership is an important factor for SMEs’ success. A great leader can lead an individual and a group of people. He needs to have knowledge, ability, and intelligence to solve problems. In addition, a successful leader needs to have an art of inspiration, motivation, and influence to create positive power for other people. So, the transactional and transformation kinds of leaders are the leaders that are suitable to SMEs (Tarabishy, 2005). Both of the theories can be used to explain the leadership, in SMEs in food industry in which the leaders need to have a vision in selecting and

organizing resources and persuade people to have a strong determination to fulfill that vision or to find the best way for their business.

2.8.2 The Idea of Organization Performance

Organizational performance has a different meaning from organizational effectiveness. In business aspect, it means the ultimate performance, which is looking at the results from the outside view. There are 3 aspects of organizational performance: 1) The financial performance such as profit, compensation from the investment or property 2) The marketing performance such as how much the business can sell its products and how much is the proportion in the market and 3) The stakeholders profit, such as the total return and economic value added. (Devinney et al., 2005) The organization effectiveness is the operating performance. It is not about the economic result but it is the effectiveness of working together. In addition, it is the key to measure success or failure of the organization (Pasanen, 2003).

Studying about organization performance are normally based on the theory of organization, education, and strategic management (Murphy, Trailer, & Hill 1996). The performance of SMEs is the construct that has a complicated pattern and can be measured in multi-dimensions. The evaluation of the performance depends on the purpose of evaluation, which can be divided into: 1) Goal Approach 2) Systems Resource Approach, and 3) Multiple Constituencies which is to response to the needs of different stakeholders. (Ford, & Schellenberg, 1982)

Practically, there are some problems in evaluation. For example, goal-setting might influenced by the people who have different opinions (Yuchtman, & Seashore, 1967; Connolly, Conlon, & Deutsch, 1980;); In other words, they might have some disagreements. The goals cannot be compared between organizations. (Murphy et al., 1996) At the same time, the performance in response to the needs of the stakeholders will cover finance and operation. Therefore, the evaluation of the performance requires understanding different needs and use a variety of methods in accordance with the objectives. (Venkatraman, & Ramanujam, 1986)

From the management perspective about evaluation, the performance of SMEs can be seen in three models which are Natural System Model, Goal-oriented Model, and Multiple-Constituencies Model.

Most of the time the performance will be measured by the ability to sell the products or services to the market that they want. It is the ability to create acceptable outcomes and actions. (Pfeffer, & Salancik, 1978) Also, from the perspective of the stakeholders, the performance or the result is important to the entrepreneur the manager and employees, and to the economic system that they belong to. A good performance will increase the profit and the income for the employees, and will give something back to the society. (Wolff, & Pett, 2006) In the strategic method, the performance of a business can be seen from the failure or success in the operation of to the plan. (Jennings, & Beaver, 1997) Usually, the success will be measured by financial performance.

Therefore, performance evaluation can be evaluated in 3 aspects: 1) Growth, such as income, number of employees, and market share. 2) Profitability, such as profit, rate of making profit, and returns from investment and 3) Survival, such as number of years that have been operated and the financial proportion that shows financial status of the organization. (Pasanen, 2003)

2.8.3 The Concept of Innovation

According to the National Innovation Agency (2012) innovation means creating new things from creative ideas which are beneficial to the economy and society.

Pong Pawijit (2006) states that “Innovation” means the method or process to create new things. Innovation is how the market or target group desires to communicate, and it is the tool to measure success.

Gidanan Malitong (1997) defines innovation as an action that has never been done before or building something new. When innovation is applied in our work, the work will be more effective, and time and energy can be saved.

According to Drucker (2003: 125-127) the process of innovation starts from analyzing new opportunities which depend on different situations and time. Organization’s innovation must to be simple but with a clear goals based on knowledge.

Hall (1994: 19-22) explains that organizational innovation is 1) Business activity that happens in the organization, 2) the changes of technology that never happens before and the meaning of innovation is more than the change of technology.

Rogers (1983: 11) states that innovation is an idea or action or new things that are being accepted in the society.

Somneuk Auejirapongpan et al. (2010) define innovation as new thing derived from using knowledge, skills, experiences, and creativity to develop. It can be new products, services, or new processes that is beneficial to society and economy. Product innovation is the development and presentation of new products through either technology or other methods. The improvement of the old products to be have more quality is also an innovation. Product innovation is outputs of the organization or business, and it can be in the form or goods or services. Technology and the needs of the market will determine what innovations should be.

Therefore, innovation is a process to create new things including knowledge application or creative action to match with the needs or the problems that need to be solved. This innovation is a benefit to the economy and society. Entrepreneurs who have ability to develop innovation, especially product innovation, will have more advantage in business competition.

2.8.4 The Concept of Branding

Kotler and Armstrong (1999) said that a brand is a name, term, symbol or design of a product to show its differences from the competitors'. A good brand should show 6 aspects, which are attribute, benefit, value, culture, personality, and products user.

According to Kotler (2003) a brand is a saying, symbol, or image created to identify a product or service of a seller or a group. A brand consists of 6 elements, which are attribute, benefit, value, culture, personality, and user.

Aaker (1991) states that brand is the uniqueness of a name or symbol, such as a logo of a product created with a purpose to be different from the competitors, and with a purpose of making the name of the products known to the consumers.

Ogilvy (1955 quoted in Wittawat Chaipanee et al., 2003: 1) explains that brand is a symbol that is complicated and is not tangible. It reflects how customers see, hear, or

experience the packaging and the price of the products. When the customers know about the product from the advertising, it means they acknowledge the brand of the product.

Wonghathai Tuncheewawong (2005: 27) states that a brand has two levels of meaning which are 1) The tangible meaning, which is symbol or brand differentiation. 2) Abstract meaning or the core value, which is to tell what product it is. It is something the competitors cannot copy.

According to Nattakun Chinnaranan (2011), branding is building a meaning to the product. A good meaning will make the product different and superior to that of the competitors. It is used to identify the choice or action of the consumers when they express what product they prefer.

Siriwan Serirat et al. (2009) Said that branding is making a difference in products because branding will tell its consumers, the purpose, and the details of the products.

Duncan (2002) describes 5 steps of the process of branding which are: 1) Selecting the name or symbol to represent the product. 2) Introducing the products by explaining what kind of product it is. 3) Making the brand different from the competitors. 4) Building a positive image for the product to be well known. 5) Building trust and credit for the brand continuously for the customers and also the stockholders.

Fill (2002) shared his opinion, saying that marketing communication is very important to the process of making a brand. It helps develop the product to be well known and make the customers see the benefit and value of the product.

Therefore, “brand” means name, word, sign, symbol and design of everything that is combined into product and service. Brands create uniqueness and help consumers to remember the product or service. Brands represent value, culture, character and targeted group of the product. They also create loyalty to consumers. Thus, if the business operators can create a unique brand; consumers can differentiate between the original product and the fake one, which will reduce illegal copied products, because brands have some meaning for consumers. Brands are the main factor which consumers design to buy a product. This is also a critical factor that Thai SMEs in food industry have to position them as the market leader and being well-

known among the consumers. Creating brands is a very critical marketing strategy which will later create consumers' satisfaction. It starts from creating a "brand name", then it leads to "brand quality" and it will lastly result in "power brand".

2.8.5 The Concept of Knowledge Management

Davenport, De Long and Beers (1998) have defined "knowledge" as information mixing with experience, contents, definition and reflection. It results in forming information of high value which can be applied for decision making and operation.

O'Dell and Grason (1998) have defined "knowledge" as information combined with experiences, consent, thoughts, values and wisdom of human to support work and to solve problems. In short, the meaning for "knowledge" is "information in action".

Nonako (1994 quoted in Tipawan Lorsuwanrat, 2005) has explained that knowledge can be divided into two groups: Tacit knowledge and Explicit knowledge. Tacit knowledge is the knowledge that cannot be explained verbally. It is founded upon actions and experiences. It is objective and needs to practice until one reaches the point of being an expert. It is also personal and context-specific which is hard to communicate or transfer an. Explicit knowledge is the knowledge that is easy to collect, organize and transfer. It is objective and does not need much effort to transfer from one to another.

Knowledge which a person possesses is in vain if the person does not apply it in the right course. Therefore, managing the body of knowledge is very critical to ensure that the knowledge will be used effectively and for a the great benefit. Knowledge management is defined by different scholars are as follows:

According to Prawes Wasee (2005: 31-32) explains that the word "management" have a negative meaning in the Thai cultural context. It may mean to dictate or to control. However, "knowledge management" has a specific meaning which is to manage in order to discover knowledge and expertise hidden in oneself. Also, the knowledge can be presented, learned and exchange, which will create collective wisdom to be used for development and solving hard issues in society.

Toyama (2002) says that knowledge management is about increasing efficiency in an organization. It creates a successful and lively organization. The person with

knowledge can apply his knowledge to create innovation and become leader in the organization.

Joseph Boyett and Jimmle Boyett (2001) said that knowledge management is about increasing the effectiveness, liveliness, success for the organization by using knowledgeable people to apply, build innovation, and be a leader.

Horwitch and Armacost (2002) state that knowledge management means to create, define, collect, transfer, and access information and knowledge in order to have better decision making.

The European Foundation of Quality management (EFQM) (2008 quoted in Chumnan Laorakpol, 2010) defines knowledge management as the way to manage knowledge and create strategy. To apply knowledge to support the organization.

Tippawan Lorsuwanrat (2005: 6-12) has defined knowledge management as a process to create, and make use of information to achieve effective operation. The knowledge management process has the following 3 crucial procedures as follows: 1. Knowledge creation 2. Knowledge codification 3. Knowledge utilization.

It can be summarized that “knowledge management” is a systematical management process which starts from making use of information and knowledge, whether it is tacit knowledge or explicit knowledge, whether it is from inside or outside the organization, to create new knowledge that can be applied to the operation. This knowledge can be stored in an accessible way and can be shared. SMEs operators should learn to manage knowledge in order to apply it in daily operation and in solving problems.

2.8.6 The Concept of Inter-organizational Network and Cluster

Ebers (1997: 15-34) says that an inter-organizational network means having two or more organizations interactive and exchange resources with each other.

Smith (1997: 115) explains that there are three critical factors used to explain an inter-organizational network which are 1) Resource flows 2) Trust and 3) Information flows.

Kilmann and Kilmann (1991) define knowledge management; saying that network capability management at individual, organizational, institutional and national levels means to transfer knowledge between members in the group. This will increase the performance and the capacity of the organization.

According to Nohria (Nohria, & Eccles, 1992: 1-4) an organizational network can be studied at several levels such as individual and organizational levels. It can be so developed that development in technology or change in the organizational structure can take place in order to be in harmony with other organizations in the network.

Porter (1990) explains that marketing strategy depends on the level of competition. Nowadays, a marketing plan has been transformed based on the social network. Network is critical to the organization for two reasons. First, it creates coordination and transfer of information among allies in the network. Second, knowledge of the organization depends on the status of the organization in the network.

Laat (1997: 146) comments that types of relationship which require much interaction are joint-venture; research and development, and those which require less interaction are exchange in technology, deliverer-and-consumer relationship, and copyright-type relationship.

Oliver (1987) states that relationship between organizations be explained by considering: 1) activity or connectivity, 2) referring framework, and 3) Relationship structure between organizations.

Narumon Nirat (2000: 6) describes networking as connecting each point with a line to create relationship, in which each point means an individual or a group and the line mean the relationship between individuals or groups.

Satian Jirarungsimun (2006) defines networking as the connection between operational groups that systematically work together, to order to accomplish the goals of each party without losing its uniqueness and philosophy.

The concept of an inter-organizational network which is used in SMEs development is the cluster concept, which has the following details:

The United Nations Industrial Development Organization: UNIDO (2001) defines a “cluster” as the gathering of corporations which are located in the same area, where they provide the same type of products and services. Therefore, they would face the same problems, obstacles, opportunity and threats. A cluster also includes service providers, financial institution, supporting agencies and related public sector organizations in the area.

Seri Pongpit (2004) defines cluster in business and industry as a group of businesses which gather together to compete and cooperate. Cluster in the operation of SMEs in Thailand consists of partnership with the public and the private entities and with the community. Knowledge of the SMEs operators and related parties is necessary.

Teerawut Suthiprapa (2012) has explained that cluster is the concept of “helping each other”. It emphasizes involvement from every party. A strategic advantage will be created if there is coordination between product producers and material sourcing businesses. With cluster, it will reduce the production cost and create a networking between producers and customers.

The Department of Industrial Promotion (2013) defines a cluster as groups of business and institutions which gather together in geographical proximity. They provide assistance and support with commonality and complementary both in vertical level, which connects businesses throughout the supply chain, and in horizontal level, which connects supporting institutions, entities, educational institutions, research centers and public entities.

The Department of Trade Negotiation (2006), by Chulalongkorn University Academic Service Center has presented cluster profile as follows (Figure 2.7)

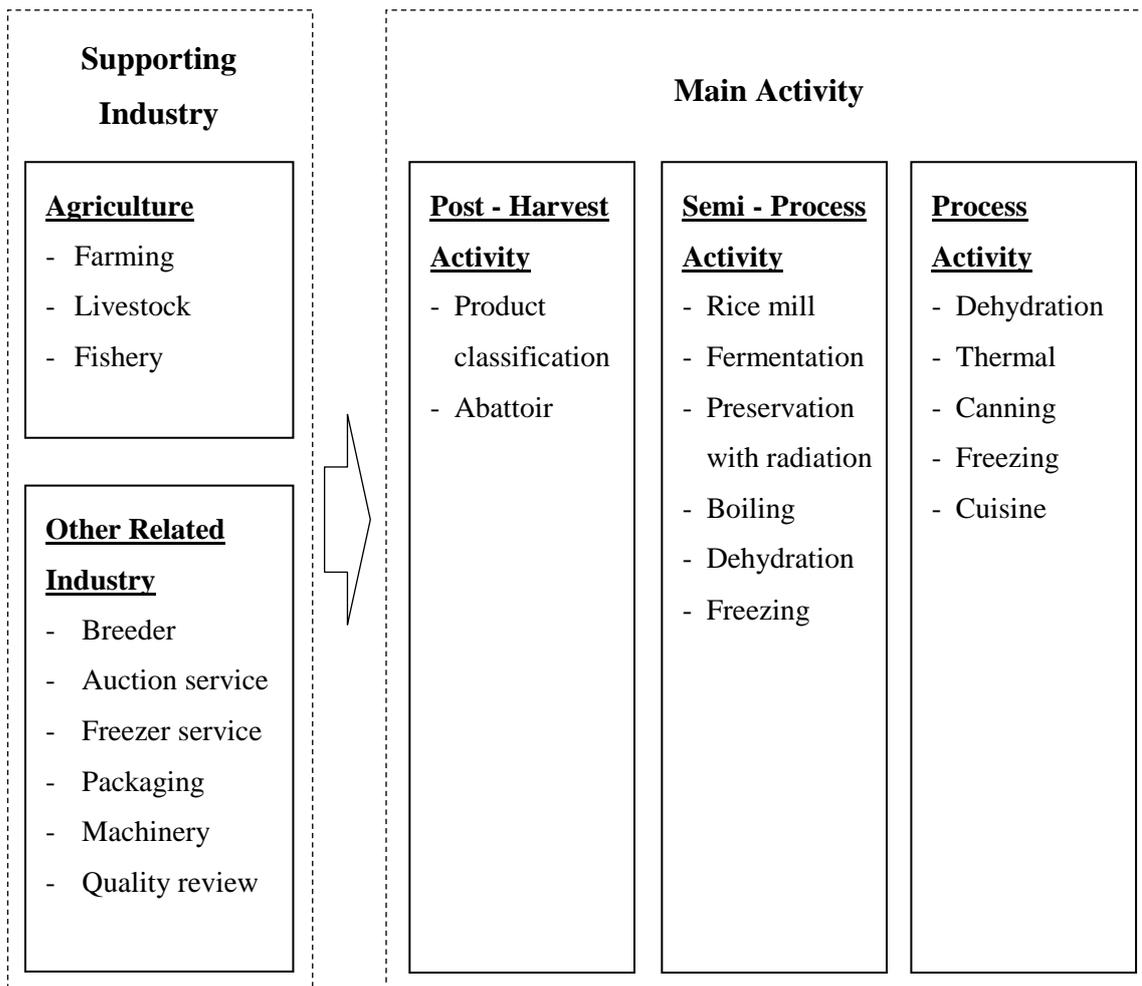


Figure 2.7 Cluster Map

Source: Department of Trade Negotiation, 2006.

The cluster of food industry can be classified by goals into three stages as follow:

1) **Post - Harvest:** There is an activity which increases the least value to products. Most of the activities use basic technology and some products need to go through some additional processes before the products can be consumed (except fruit and vegetable).

2) **Semi - Process:** This activity concerns processing products in order to be ready for consumption. It may involve garnishing products to increase value or to preserve the products.

3) Process: This activity involves using advanced technology to increase the product value.

Related to the above activities are agriculture which includes: farming, cattle raising, and fishery; components in related industries which include breeding, auction, freezing rooms, packaging, machinery, product processing and quality review.

It can be said that the cluster or connection of the organization is the relationship of individuals, organizations, institutions, and the nations. It shows the relationship between organizations and other parts of the systems. A cluster is a group of businesses and institutions that are operating in geographical proximity. They coordinate, compete, have relations, and promote in commonality and complementary. The government, the private sector, and communities cooperate as partners in order to compete and increase the productivity and create innovation together.

Another factor that drive the food industry to gain the highest benefit is that the operators in food industry should gather together to create a strong cluster in order to exchange information and knowledge, have a bargaining power to set prices. As Thailand is going to be a part of the AEC, it is a good opportunity for Thai food industry operators to extend their cluster beyond the country and set up a cluster in other countries within ASEAN.

2.8.7 The Concept of SMEs promotion in other countries

There are many countries which are successful in promoting their SMEs. These countries include Japan, the United States, South Korea and Taiwan. (Department of Trade Negotiations, 2006).

Japan

Japan has set an SMEs development plan under the direction of the Small and Medium Enterprise Agency, where duties to set policies and to follow up the policy implementation. Also, it has passed basic laws to serve as a framework in SMEs development and additional laws as needed. Also, there are financial institutions to provide financial supports and the Credit Insurance Corporation to provide surety for the loaners and to reduce financial risks. In addition, the government provides support in terms of research and development, consultation, marketing, finance, human resource development. The government also trains and certifies trainers who are to train SMEs

operators. Facilities are built to provide support to SMEs operators such as information center, credit information center and product inspection center. The government has placed these facilities throughout the country in order to be accessible by SMEs in different regions in Japan. Also, the government has encouraged SMEs to form a cluster as a cooperative by setting a policy to benefit SMEs such as tax the reduction policy for SMEs that group together as a cooperative. Japan's development plan has become a model for other countries to follow, such as Taiwan, South Korea, or countries in ASEAN.

The United States

The United States has been so successful in supporting SMEs by taking advantage of its advanced technology. SMEs accounts for 99% of all business units in the United States and can create 53% of employment in the private sector. More than half of GDP comes from SMEs. The success of SMEs is from the following 2 entities: 1) Securities and Exchange Commission: SEC: This entity supports SMEs by providing channels for funding and developing the financial market in the right direction, enforcing regulations to ensure transparency of business operations and 2) Small Business Administration: SBA. This is an independent entity that provides a full circle of support to SMEs by providing financial resources, loans, consultation, business study plan and by presenting SMEs to the public. Also, the United States has extended its support to the SMEs groups that were neglected in the past, such as the Women Business Group. Nevertheless, the SMEs operators still have to push themselves to success by developing their products and services to satisfy their consumers.

South Korea

South Korea changed its economic policy in 1980 from emphasizing only the economic growth to the "Policy of Balance", which means the government has provided more support to SMEs. Also, SMEs have changed from production by human labor to using technology in production. The government provides benefits and supports to SMEs that group together to form a cluster, which could create expertise in the group because information and skills can flow within the group. One of the important policies is to emphasize the coordination between large corporations and SMEs by giving 10% tax deduction to the large corporation that provides consult

others to SMEs. In addition, the government set up funds to support SMEs, for example, the Small and Medium Industry Structure Adjustment Fund and The Industrial Development Fund.

Taiwan

Taiwan is also one of the countries that is successful in SMEs, and it also has a strong developmental structure that grows continually underneath the great support from the government. There are many SMEs that become famous in the world market such as Acer, Asustek, and Tatung. These companies have helped Taiwan's economy to grow and passed the time of economy crisis severely attacking the neighboring countries. The heart of its success is a strong determination of the government to build a strong foundation for SMEs in every aspect. Each year, the government spends a big budget in research and development in order to increase the quality of production and marketing so that the SMEs can compete inside and outside the country. In addition, there are many skills training and human resource development for SMEs, and there is a true opening for free market. Moreover, there is development of innovation and new technology that is very successful such as creating Nankang Park, a software park as a center of new innovation and software. All new knowledge is beneficial to the environment and the government and the private sectors. With all the great projects above, Taiwan becomes the third in the work as an exporter of technological products.

2.8.8 The Analysis and Evaluation of the Potential of SMEs

In the past, the most important thing of assessment was financial evaluation but this assessment is not suitable for the organization that uses skills in production (Kaplan, & Norton, 1992). To be excellent in business, knowing about financial outcomes is not enough anymore. An organization needs to be able to explain factors that drive the success, such as customer satisfaction, quality, or innovation (Chin et al., 2003). The organization needs to build an evaluation system which reviews the activities of the organization and assesses its strengths and weaknesses using 3 areas: Evaluation framework, assessment, and management.

2.8.8.1 Malcolm Baldrige National Quality Award (MBNQA)

In 1987, President Reagan established a bipartisan program to develop world-class management criteria to revitalize the U.S. economy. Today, the Baldrige

Criteria for Performance Excellence is used by organizations every sector of the U.S. economy and around the world as an assessment and improvement tool. (Gadd, 1995)

The US MBNQA model reward has been granted in Japan, Australia, Singapore, and Malaysia. Many Companies have received this award in 1988 such as Motorola, Inc and Westinghouse Commercial Nuclear Fuel Division. It was originated from the U.S. government in 1987 to help private companies to be competitive (Gadd, 1995). The following are its objectives:

- 1) To help organizations to improve quality and productivity.
- 2) To honor organizations on Thai quality of their products and service.
- 3) To be used as a way for public agencies, industries, businesses, and other organizations to evaluate themselves.
- 4) To be a specific framework for organizations to be successful in developing their quality.

National Institute of Standard and Technology (2006) developed criterias in Malcolm Baldrige National Quality Award (MBNQA) so that the organization can evaluate itself, the criterias consist of seven key dimensions or categories that explain what processes, procedures, and outcomes are associated with a quality-centered organization (Garvin, 1988; Evans, & Lindsay, 2005).

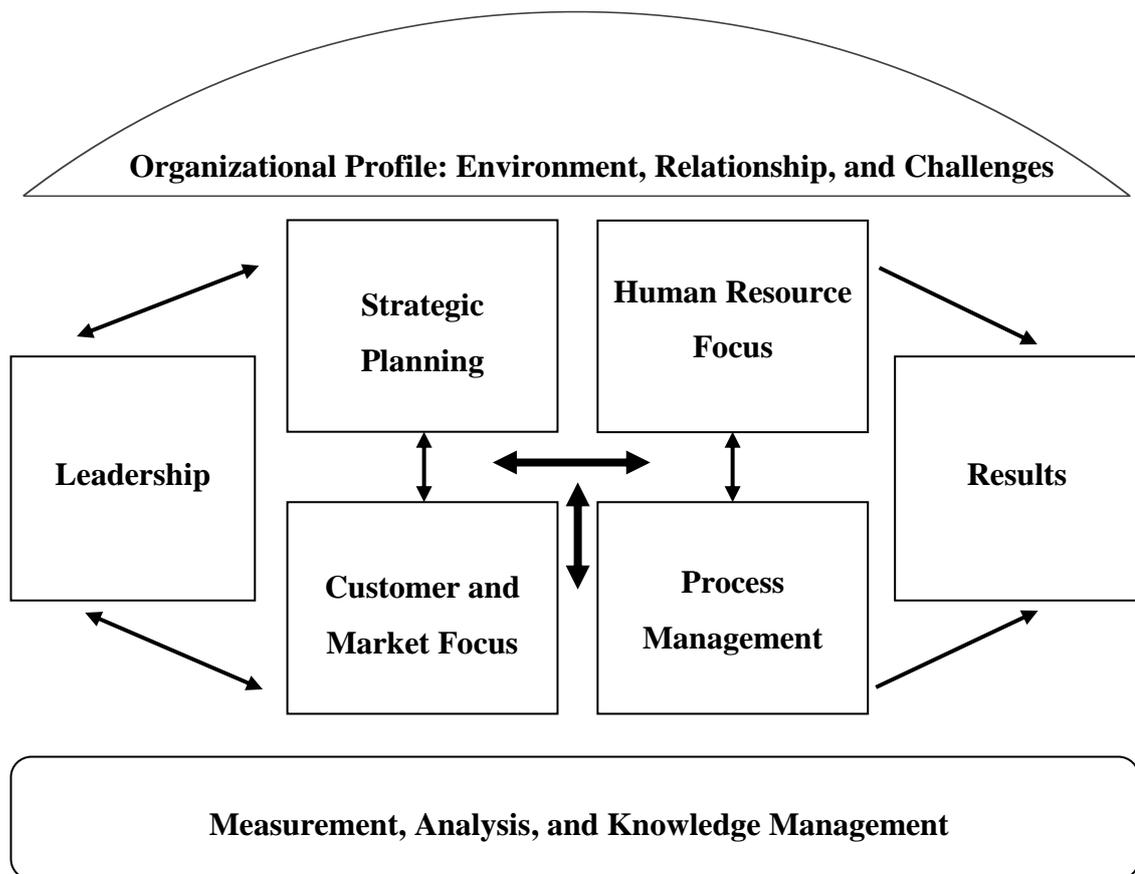


Figure 2.8 MBNQA Model

Source: National Institute of Standard and Technology, 2006.

The latest Malcolm Baldrige National Quality Award (MBNQA) model is illustrated in Figure 2.8. The dimensions in the model include 1) leadership, 2) strategic planning, 3) customer and market focus, 4) measurement, analysis, and knowledge management, 5) human resource focus, 6) process management, and 7) results.

1) Leadership: assessing how the leader promotes moral, rules, and social responsibilities.

(1) Senior leadership: How do the senior leaders lead? Describe how senior leaders' personal actions guide and sustain the organization. Describe how senior leaders create an environment for customer engagement, innovation, and high performance. Describe how senior leaders communicate with the workforce and key customers.

(2) Governance and societal responsibilities: How do the organizations govern and fulfill the societal responsibilities? Describe the organization's approach to responsible governance and leadership improvement. Describe how they ensure legal and ethical behaviour, fulfill the societal responsibilities, and support the key communities.

2) Strategic Planning: How does the organization develop strategic objectives and action plans, implement them, change them if circumstances require, and measure progress?

(1) Strategy development: How do the organizations develop the strategy? Describe how the organization establishes a strategy to address its strategic challenges and leverage its strategic advantages and strategic opportunities. Describe how the organization makes key work system decisions.

(2) Strategy implementation: How do the organizations implement the strategy? Describe how they convert the strategic objectives into action plans. Summarize the action plans, how the organization deploy them, and the key measures or indicators of progress. Project the future performance on these measures or indicators relative to key comparisons.

3) Customer and Market Focus: How does the organization engage its customers for long-term marketplace success, including how the organization listen to the voice of the customer, build customer relationships, and use customer information to improve and to identify opportunities for innovation?

(1) Voice of the customer: How does the organization obtain information from the customers? Describe how they listen to the customers and gain information about their satisfaction, dissatisfaction, and engagement.

(2) Customer engagement: How does the organization serve customers' needs to engage them and build relationships? Describe how it determines product offerings and communication mechanisms to support the customers. Describe how it builds customer relationships.

4) Measurement, Analysis, and Knowledge Management: How does the organization select, gather, analyze, manage, and improve its data, information, and knowledge assets? How does it learn? And how it manages information technology. How does the organization use review of findings to improve its performance.

(1) Measurement, analysis, and improvement of organizational performance: How does the organization measure, analyze, and then improve organizational performance? Describe how they measure, analyze, review, and improve organizational performance by the using data and information at all levels and in all parts of the organization. Describe how the organization uses comparative and customer data to support decision making.

(2) Knowledge management, information, and information Technology: How does the organization manage the organizational knowledge assets, information, and information technology? Describe how the organization manages and grows its knowledge assets and learns. Describe how they ensure the quality and availability of the data, information, software, and hardware needed by the workforce, suppliers, partners, collaborators, and customers.

5) Human Resource Focus: How does the organization assess workforce capability and capacity needs and build a workforce environment conducive to high performance. The category also asks how the organization engages, manages, and develops the workforce to utilize its full potential in alignment with the organization's overall mission, strategy, and action plans.

(1) Workforce environment: How does the organization build an effective and supportive workforce environment? Describe how it manages workforce capability and capacity to accomplish the organization's work. Describe how it maintains a supportive and secure work climate.

(2) Workforce engagement: How does the organization engage the workforce to achieve organizational and personal success? Describe how it develops workforce members, managers, and leaders to achieve high performance, including how it engages them in improvement and innovation.

6) Process Management: How does the organization design, manage, and improve its products and work processes, and improve operational efficiency to deliver customer value, and achieve organizational success and sustainability?

(1) Work processes: How does the organization design, manage, and improve the key products and work processes? Describe how it designs, manages, and improves the key work processes to deliver products that achieve

customer value and organizational success and sustainability. Summarize the organization's key work processes.

(2) Operational effectiveness: How does the organization ensure efficient management of the operations on an ongoing basis and for the future? Describe how it controls costs, manages the supply chain, offers a safe workplace, prepares for potential emergencies, and creates innovation for the future to ensure efficient operations and deliver customer value.

7) Results: How does the organization perform and improve in all key areas-product and process results, customer-focused results, workforce-focused results, leadership and governance results, and financial and market results? The category asks about the performance level relative to those of competitors and other organizations with similar products offered.

(1) Product and process results: What are the results of product performance and process effectiveness include? Summarize the key product performance and process effectiveness and efficiency results for processes that directly serve the customers and that impact the operations and the supply chain. Segment the results by product offered, customer groups and market segments, and process types and locations, as appropriate. Include appropriate comparative data.

(2) Customer - focused results: What are the results of the customer-focused performance? Summarize the key customer-focused results, including those concerning customer satisfaction and engagement. Segment the results by product offerings, customer groups, and market segments, as appropriate. Include appropriate comparative data.

(3) Workforce - focused results: What are the results of the workforce-focused performance? Summarize the key workforce-focused results, including the results for the workforce environment and for workforce engagement. Segment the results to address the diversity of the workforce and to address the problems of the workforce groups and segments. Include appropriate comparative data.

(4) Leadership and governance results: What are the senior leadership and governance results? Summarize the key senior leadership and governance results, including those for fiscal accountability, legal compliance, ethical

behaviour, societal responsibility, support of key communities, and strategy achievement. Segment the results by organizational units, as appropriate. Include appropriate comparative data.

(5) Financial and market results: What are the financial and marketplace performance results? Summarize the key financial and marketplace performance results by market segments or customer groups, as appropriate. Include appropriate comparative data.

Thailand Quality Award (TQA) is an award following the Malcolm Baldrige National Quality Award: MBNQA model given by the government. Besides TQA, Thai state enterprises also rely on the State Enterprise Performance Appraisal (SEPA) as a tool to evaluate themselves.

2.8.8.2 Food Manufacturing Standards

Food export nowadays is not only to be considered as an important in economic, but also we have to consider the satisfaction of the countries that are the partnership and safety of the consumers. Therefore, Department of Industrial Promotion (2012) has raised the standard of production by following Good Agricultural Practices: GAP, Good Manufacturing Practices: GMP, Hazard Analysis Critical Control Points: HACCP. These are the guidelines for the entrepreneurs to follow in order to prevent and eliminate all the dangers that will come with the food. In addition, we have to pay attention to Halal food that is produced for muslim consumers in Thailand and to export to the world market. Therefore, the process of producing Halal food has to be according to Halal Standard.

1) Good Agriculture Practice: GAP

Good Agriculture Practices or GAP is an agricultural method to produce high quality products according to specified standards, make investment worthwhile and bring about a safe agricultural production process to farmers and consumers. The method also utilizes sustainable resources and does not pollute the environment, in which this method is stipulated by Food and Agriculture Organization of the United Nations.

The Thai government has applied GAP to agricultural products through the Agricultural and Rice Department (GAP for agricultural products),

livestock through the Department of Livestock Development (GAP for livestock), and to fish through the Department of Fisheries (GAP for fishery).

In Thailand, the Department of Agriculture under the Agriculture and Cooperatives is an organization certifies the quality management by GAP. It imposes regulations and monitors the process to be in accordance with internationally accepted GAP. The Department of Agriculture has divided the production processes into three types as follows: 1) Production process with safe products 2. Production process with safe and pest-free products 3. Production process with safe pest-free and quality products which satisfy consumers. The specifications, regulations and evaluation method used to clarify farms into three level (Ministry of Agriculture and Cooperatives, Agriculture Research Development, 2010) as follows: The evaluation method take the policy into consideration 1) Water resources 2) Farming location 3) Usage of hazardous materials 4) Products preservation and transportation within farming location 5) Recorded Data 6) Pest-free products 7) Production management that results in quality products, and 8) Harvest and practice after harvest.

2) Good Manufacturing Practice: GMP

Good Manufacturing Practice or GMP is a manufacturing method which helps to increase business competitive advantages to better the hygienic conditions for food manufacturing industry. GMP covers production methods, production tools and preservations. Good practices to be considered for food and beverage manufacturing are as follows:

(1) Location: Manufacturing plans should be located at a clean environment with no still water and garbage.

(2) Equipment, machinery and production materials: Products should not be produced or made from hazardous materials which are dangerous to consumers. Also, they must not be rusty, but easy-to-clean and sufficient to use.

(3) Production control: Every production process should have sanitation controls starting from receiving raw materials, determining the use of raw materials and chemical substances in production, all of which need to be labeled.

(4) Sanitation: This includes water used in factories, toilets, hand washing basins, garbage dumb areas with draining channels.

(5) Maintenance and cleaning: This includes keeping plants, equipment and machines clean and maintaining them as that they are in good condition. Cleaning chemicals should be used under safe food production conditions.

(6) Personnel and sanitary of operators: Operators should not have contagious and disgusting diseases, abiding by to the regulations specified by the Ministry of Health. Moreover, the operators should not have exposed cuts or wound and their cloths must be fully covered and clean. They should wash hands, wear hand glove, caps or robes. They should not wear decorations. They must always be trained on the general sanitary standard and the general knowledge of food productions.

The benefits of GMP to organizations are producing safe products to consumers, building trust of business partners and consumers, and create the safe environment for workers. During the operation, sufficient controls in cleaning standards, factory sanitary and, information accessibility will result in flexibility in maintaining, managing and evaluating the factory operation. Also, GMP practical will help reduce waste from defective operation resulting in increasing productivity in the organization and creating a good attitude toward the operator.

3) Hazard Analysis Critical Control Points: HACCP

The Hazard Analysis Critical Control Points or HACCP is a safety management control system. The Thai Industrial Standards Institute has summarized the definition of Hazard Analysis Critical Control Points or HACCP to be a safety management control system which is used in food production to ensure that the outputs are free from germs and adulterated things such as cullet or metals. HACCP is a system which food industry operators can apply to their production process in order to find out possible impacts on health and sanitation. In addition, the operator should apply HACCP in the organization to prevent, monitor and detect problems so that the food produced will be safe to consumers so that there will competitive advantage to the operator to the world market.

HACCP assists an organization to systematically manage food production controls which results in building a good image to the organization and its products, reducing production costs, and increasing capacity to compete in the market. HACCP is considered as not only a certifiable food safety standard but also as a basis

to develop the organization to get the ISO 9000 certificate. HACCP consists of 7 principles as follows:

- (1) Danger analysis
- (2) Control of the crisis point
- (3) Determination of the crisis point
- (4) Put system in place to follow up controlling crisis point
- (5) Implement the resolving process once a control crisis point is detected
- (6) Specify the detecting process to confirm the operation efficiency of the HACCP system
- (7) Specify procedures to store documents involved in operation and the record keeping process

4) Halal Standard

Nowadays, Halal food has become increasingly popular. Not only Thai Muslims who consume Halal food, but also Halal food producers for Thai Muslims and for exports need to pay attention to the Halal food preparation process as specified in Islamic Laws and The Central Islamic Council of Thailand regarding certified Halal food 2001 and second issue in 2002.

The term “Halal”, comes from Arabic meaning any sales or services which are not against Islamic laws. Therefore, Halal food is food which is prepared, cooked and processed in accordance with the religious laws. Halal food and products often have “Halal” labeled by the side of the package to guarantee that all general Muslim can consume the food or products.

To be in compliance with Islamic Laws, Halal food meet the following criteria:

- (1) It must not consist of or contain any substances which are not in accordance with Islamic laws.
- (2) It must not be processed, transported and preserved by equipment on tools which are not in compliance with Islamic laws.
- (3) It must not be touched during the process of processing, transporting, preserving.

(4) The area to prepare produce Halal food must be separated from non-Halal food to prevent Halal food to be contaminated or being touched by non-Halal food.

(5) If the tools have been used for preparation of non-Halal food, it should be appropriately cleaned in accordance with the Islamic Laws.

“Halal Label” is the label on packages of for business issued by The Central Islamic Council of Thailand, or the Islamic Council in each province in order to certify the operators.

The difference between the Halal standard food and the general food industry standard is that Halal standard food must be prepared in accordance with Islamic laws. Throughout the production line, every process has to be in line with “Halal”, which follows Islamic Laws. This food must not include “Haram” which is the prohibited in Islamic laws, such as raw materials, ingredients, seasoning, poisonous substance and other contaminations. In order to have quality, clean, nutritious food and in compliance with GMP, HACCP and ISO, the strict criteria must be followed. Halal food follows Islamic Law, while general and international standard food follows established laws; they do not need to follow Islamic laws.

Halal food market is a becoming a growth market. Muslim population around the world is around 1,800-1,900 millions. The value of Halal food around the world is around 6 to 8 trillion Baht (around 150,000-200,000 million USD) (The Committee for Halal Food Industry Development, 2005). In fact, Halal food market does not limit to only Muslims. Such food is in favor by general consumers. Therefore, it has been expected that Halal food market will have much more value that estimated.

Table 2.8 Halal Food Consumers Which is Muslim

Country Group	Number of Members (Country)	Population (Million)	GDP (Billion USD)
Organization of the Islamic Coordination (OIC)	57	1,300	5,506
European Union (EU)	25	453	10,483
ASEAN Economic Community (AEC)	10	537	4,190

Source: The Committee for Halal Food Industry Development, 2005.

The country groups which have exported the Halal food are NAFTA, EU and AN (Australia and New Zealand) they are a group of developed countries but not a group of Muslim countries. The reason behind this is that these countries have standards, visions and capacity of technology, to be central of Halal food production in the world. For example, Canada has announced itself to be the Halal Food Hub, while there is only 300,000 Muslims in the country. In fact, the main Halal food market is in the United States and the European Union (EU). (Department of Business Development, 2006)

Thailand is one of the countries with potential in food production and in expanding into the Halal food market to become a Halal food hub. One of Thailand's advantage is an easy access to essential raw materials and the private and the governments sectors are willing to cooperate in following the Halal food manufacturing standard. However, Thai food producers still lack understanding in Halal food production and related government entities also lack the direction in strategic planning to push forward Halal food producers in Thailand to compete in the world market. The following are challenges in expanding the Halal food market:

- 1) Thailand has high potential in food exportation, but not for Halal food. Thailand's non-pork product industry has high potential to enter into the world's market as long as it has been supported by the government. The industry should be developed in several aspects. Also, research on consumer behaviour should

be promoted in order to tailor the industry to meet international requirements and to establish an institutional framework.

2) The Halal food market has a market value of 200,000-500,000 million USD. The main Halal food exporters are industrialized countries as consumers have high confidence in them. Therefore, if Thailand wants to be the Halal hub, it needs to emphasize improving product quality, increasing domestic consumer confidence and looking for new markets, such as the United States and the European Union (EU), which has a large Halal market with high purchasing power.

3) The challenge in Halal food is Halal food inspection standards varied in each country. Another is entrepreneurs' lack of skills and understanding in Halal business. Also, there lack good public relation programs and coordination between government agencies and other related agencies.

According to the Halal Science Centre Chulalongkorn University (2012), nowadays the Halal food market has been significantly expanding. The total market value is more than 700,000 million USD, or 21 trillion Baht (30 Baht = 1 USD). The top five Halal food producers and exporters in the world are Brazil, the United States, China, India and Thailand. It is noticeable that most of the major Halal exporters are not Muslim countries. In comparing the earnings in Halal food export between Thailand and Malaysia in 2012, Thailand earned 25 billion USD in total of which 4.6 billion USD came from Halal food, while Malaysia earned 3.5 billion USD in food export, all of which came from was Halal food. Most Halal food from Malaysia is exported to the Organization of the Islamic Coordination (OIC), while Thailand has less than 10 percent Halal food exported to these OIC countries.

Thailand, Malaysia and Singapore have announced themselves to be the world Halal Hub. Thailand set a target of 70 billion USD of Halal food market share in the world. Also, the number of Muslim and consumers has been rising and as has non-Muslim countries increasing competition in the market, especially when ASEAN countries are about to form the ASEAN Economic Community.

2.8.8.3 Food Safety

Pimpen Pornchalermphong and Nithiya Rattanapanon (2013) has explained that food safety means processing of foods and agricultural products to get safe and consumable products for humans. Food products must be produced in line

with the food safety regulations and related laws in order to ensure that consumers are free from food hazard, biological, chemical and physical dangers.

The Subcommittee of Involvement in Opinion and Inspection for The Committee for Safety and Sanitation Approval (2012) has explained that food safety as foods which has been appropriately prepared, cooked and consumed as is not be harmful to consumers and free from contamination.

According to the Ministry of Public Health (2005), the risk that Thai people has been exposed to contaminated food is increasing. Food can be contaminated by germ and parasite, chemical substances, and contaminants from unsanitized food preparation areas. Food hazards can be grouped into 3 types: 1) Physical hazards mean hazards from contaminated substances, 2) Chemical hazards mean hazards from natural chemical substances, and 3) Biological hazards mean hazards from living organisms.

The Food Safety for Good Life Quality research project conducted by the National Research Committee, in conjunction with the Agricultural Industry Faculty, Kasetsart University, categorized risks of food hazards (National Research Committee, 2005) as follows:

- 1) Agricultural products: The use of herbicides has been increased as evidenced by residues in agricultural products.
- 2) Meat products: Anti-biotic and growth stimulus substances have been over used.
- 3) Production of meat products: There are contaminations in the products, or they are produced by an unsanitized process.

The government, as a responsible party to promote good health of the people has implemented the food safety policy since 2001, and it designated 2004 to be the “Food Safety Year”. The purpose of this campaign is to ensure that foods produced and consumed are safe in accordance with the international standards. Promoting Thailand to be the kitchen of the world is one of the strategies in the Food Safety Year. This started from promoting consumers’ rights, ensuring that government entities regularly monitor the food safety situation and help business operators to understand the safe food production process.

Everyone needs to consume safe food. Therefore, if Thailand is going to be the kitchen of the world, Thai people must know that parties related to the food production cycle are: farmers, food operators, workers who touch the food, transporters and sellers. These parties must possess knowledge of food safety so that they can produce food which, apart from deliciousness should be unique, clean and safe. Therefore, small and medium enterprise owners in food industry must select raw materials that meet to food safety standards by considering the labels which indicate food safety (Ministry of Health, 2013) as follows:

1) Food Safety Label



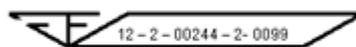
The food safety label is a sign for plantations which follow GAP, Code of Conduct (COC) and GMP which are under the responsibility of the Department of Agriculture with the Ministry of Agriculture and Cooperatives. It certifies, 1) Food products, 2) Quality management of food products, 3) Non-food products, such as agricultural production factors. Also, it certifies other systems not relate to food safety and quality. Entities which provide this certification are the Department of Fisheries, the Department of Livestock Development, the Department of Agriculture, the Department of Agricultural Extension, the Corporative Promotion Department, the Land Development Department, the National Bureau of Agricultural Commodity and Food Standards, and the Marketing Organization for Farmers.

2) Safe Food Good Health Label



The Safe Food Good Health is a sign used with fresh food products. This is the sign for shops and booths selling fresh food products in fresh markets or supermarkets. The issuance of the sign under the responsibility of the Food and Drug Administration, the Ministry of Health. The certification covers: fresh food, processed food, cooked food, food operation locations and plantations. It also certifies that food is free from the following substances: borax, chemical residues, bleach, preservative substances, formalin, salbutamol, microorganisms, chloramphenicol, and nitro-furan.

3) Food and Drug Label



The food and drug label is given to processed food and food in sealed containers. The issuance of the label is under the responsibility of the Food and Drug Administration (FDA) under the Ministry of Health. The following products are required to have this kind of label: 1) Special controlled food, 2) Quality and standard controlled food, and 3) Food announced by the Ministry that the label required.

4) Quality Control for Hazardous Substance-Free Food Label



The Quality Control for Hazardous Substance-Free Foods Label is given by the Department of Medical Science under the Ministry of Health. This is to certify that there is no residue of hazardous substances in fruits/vegetables. The operators have to inspect their fruits/vegetables based on the established system and conditions specified by the Department of Medical Sciences under the Ministry of Health.

To determine whether the food to be consumed is safe, it is necessary to look at the farming process for plantations and livestock, harvesting process, transporting, processing, preserving and other processes throughout the food chain. However, to ensure food safety, it requires coordination from all related parties including farmers, fundamental producers, food processors, food sellers and government agencies. Also, consumers are aware of their rights to consume safe food in order to build confidence of other consumers and food producers domestically and internationally. This will promote Thailand to be the major food exporter in the ASEAN and the world markets.

2.9 Related Research

The following are related research projects:

Table 2.9 Important Related Research Projects

Researcher	Point of Study
Pahore and Shaikh (2010)	Roles of SMEs in international trades: A case study of Pakistan where SMEs have limitations in export because of the lack of market information, knowledge about laws and exporting procedures, regulations and financing for export business, and insurance policy and management.
Krikkiat Srisermpokv et al. (2003)	Development of SMEs in Thailand and factors which impact profit-generating in food industry, for example, production process, quality of service, customer loyalty and customer satisfactory. External factors which have impact on the ability to generate profit, to sustain, duplication in taxation, ability to access international markets, and limitations in building networks and business partners.
Apichat Romayaroop (2000)	SMEs and Thailand business recovery: SMEs in several countries as well as in Thailand have important roles in raising gross domestic product and export. Although SMEs in Thailand have been developed for a long time, they still lack unified supports from the government and the private sectors.
Arinaitwe (2006)	Obstacles to growth and survival of SMEs: Analysis of obstacles to growth and survival of SMEs: for example, the lack of technology, financial resources, promotion, excessive natural resource use in supporting strategies. Becoming a part of world trade and production agreements, causes the government agencies to support only main businesses or industries of the country, while SMEs are being ignored.
Apha Attaburawong (2002)	The need for help of SMEs operators: A case study of Nonthaburi province's operators who are in need of help in market management and access to information to expand the market.

Table 2.9 (Continued)

Researcher	Point of Study
Sanguanruang (1978)	The development of SMEs in Thailand in which the government does not provide sufficient support to SMEs and lack of distinctive strategy in supporting them.
Kaffash, Haghikhan and Kordlouie (2012)	Indicators of factors which impact decision making of SMEs in entering food industry in Iran: Internal and external factors include marketing factors of the targeted countries, environment factors of the targeted countries, production factors of the targeted countries, domestic production rate factors and corporate resources factors.
Ngamkroekjoti, Speece and Dimmitt (2005)	Thorough observation of the environment of Thai SMEs in Thai food industry: Impacts of technological strategies of Thai SMEs on Thai food industry. Thorough observation can lead to development in food production in which technological strategies have an important role in the observation of environments.
Wisit Jawasit et al. (2002)	Analysis of opportunity and potential in developing Thai food to the world market: Thai food has its uniqueness, benefits from herbs and sufficient nutrition. However, Thai food industry is facing 3 challenges, which are food safety, quality in sense of perception and general management.
Lekuthai (2007)	Importance of food industry in imports and food productions in the Thai economy. Among the leading industries, food industry is a key factor to promote the Thai economy as it helps increase production, employment, market value and gross revenues.
Surisrabhan (1999)	Factors which impact the success of exporting Thai food. These factors include corporate strategies, related industries, and supports.
Korrawit Tansri (2013)	Accessibility to financial resources for SMEs: there are various types of challenges and limitations for SMEs in

Table 2.9 (Continued)

Researcher	Point of Study
	accessing financial resources. However, the government agencies have considered the problems as “One Size Fit All” for all sizes of SMEs; therefore, they could not directly solve the problems and serve the needs of SMEs in each group.
Cazzell and Ulmer (2009)	Indicators of excellence proved by the winner of Malcolm Baldrige National Quality Award (MBNQA): companies in food industry have used the quality development process by reducing product and service defections and losses, which result in cost reduction in a significant manner.
Roongnapha Torudom (2007)	Factors contributing to success of SMEs operators in agricultural industry and trades in Chacherngsao province: These factors are leadership, management, human resource and government policy in supporting the industry.
Chiara and Minguzzi (2002)	Factors contribute to success of SMEs in taking businesses into international markets: The research was conducted in Italy where going to international markets is a new important role for SMEs. However, the ability for SMEs to manage “Know How” and develop products to reach international standards is at risks because of the lack of expertise, skills and resources.
Luk (1996)	Factors contributing to success of SMEs in Hong Kong which have human resource as a key factor: The factors include: good decision making skill, hardworking, having relevant and sufficient experience before starting a business, a strong determination to achieve goals, studying degree in business administration, good analytical skills and having business networks before starting a business.

2.10 Conceptual Framework

Policies to promote SMEs are important for economy and society. This research aimed to study the policies that promote SMEs in Thailand from the past to the present, which the Policy No.1 (2002-2006), the policy No.2 (2007-2011) and the policy No.3 (2012-2016). This research examined the concerns of the stakeholders who have involved in the execution of the policies to promote SMEs and other issues whereby the stakeholders in both the private and the public sectors would reflect from the policies, including enhancement of potential of SMEs for the AEC.

This research began with the analysis of the policies that promote SMEs by analyzing the policies in Thailand and the environments of SMEs in Thailand which have impacts on their entering the AEC. It applied the Balance Scorecard invented by Kaplan and Norton (2008: 51), starting with the financial or stakeholders, customer, process, and ending with learning and growing the perspective. The purpose of this analysis is to know strengths, weaknesses, opportunities and threats in the environment and policy implementation in SMEs promotion. After that the research evaluated the results of the implementation by studying the roles of stakeholders in both private and public sectors by using the North American Stakeholder Model (Riecker and Roruch, 1974: 203ff, Weiss 1982a: 18; Guba and Lincoln, 1989: 40f quoted in Vendung, 1991: 67-70). The concerns of the stakeholders in the policies in each aspect were studied including the relationship between the roles of the stakeholders in private and public sectors. It also included analysis and evaluation of Thai SMEs potential for the AEC by using the Malcolm Baldrige National Quality Award (MBNQA) (National Institute of Standard and Technology, 2006). The Malcolm Baldrige National Quality Award (MBNQA) analysis and evolution consists of the 7 evolution frameworks as follows: 1) Leadership, 2) Strategic planning, 3) Customer and market focus, 4) Measurement, analysis and knowledge management, 5) Human resource focus, 6) Process management, and 7) Results and food manufacturing standards. Analysis and evaluation of 4 dimensions was made: 1) Good Agriculture Practices (GAP), 2) Good Manufacturing Practice (GMP), 3) Hazard Analysis Critical Control Points (HACCP), and 4) Halal standard.

Food safety is analyzed and evaluated by classifying labels and the signs into four categories: 1) Food Safety Label, 2) Safe Food Good Health Label , 3) Food and Drug Label, 4) Quality control for Hazardous Substance-Free Food Label. In order to evaluate the potential of Thai SMEs in preparation for entering the AEC and to present strategic policies frameworks for strengthening the potential of SMEs for the AEC, the following aspects were studied: 1) Management quality, 2) International standards, 3) Safety, 4) Value added, 5) Marketing, and 6) Collaborative network.

The findings from the analysis of the environments of policies, strategies and potential of SMEs in Thailand to enter into the AEC will assist the public sector, which has a major role in policy and strategic planning, to receive accurate and updated information which will be used in updating and setting policies and strategies. As for the private sector, the findings can be used in defining strategies in accordance with dynamic changes in politics, economy, society, technology, life style and product needs, in order to increase capacity to compete domestically and internationally.

The researcher studied the roles of stakeholders in the public sector. They were policy formulator, controller, regulator, supporter, facilitator, supporter in proactive strategy, catalyst, challenger and coordinator among all agencies. In addition, the roles of stakeholders in the private sector were investigated, as entrepreneur, business competitor, innovative product initiator, product brand creator, network creator and coordinator with the public sector. The roles of the private sector are very critical to the success of the policies because they are direct competitors and in need for product development. Since products are developed and operated by the private sector, the stakeholders are critical operators and strategic partners with the public sector that implement the policies to promote SMEs.

The main objective of this research is to explore and find out the explanations on why policies have such results and the potential of Thai SMEs in entering the AEC. The research aimed to reveal and explain the roles of the stakeholders in the private and the public sectors. The findings from the evaluation were analyzed to find out how the roles of stakeholders in the private and the public sector would impact the strategies of Thai SMEs, How an appropriate strategic policy framework to prepare SMEs for entering the AEC should be? These results would be used to define the

strategic policy framework to increase the potential of SMEs in order to prepare them for the coming of the AEC in 2014.

In summary, the research started from analyzing the policies to promote SMEs, the environment of the policies, the readiness of Thai SMEs for the AEC and evaluation of the outputs from the implementation of the policies, Followed by studying the roles of the key stakeholders in both the private and the public sectors and their concerns about the policies, the connection of the roles among stakeholders and ended with the analysis of the potential of Thai SMEs. This analysis would lead to the definition of the strategic policy framework that creates uniqueness to SMEs. The government agencies can use the findings from the environment analysis and the evaluation of the policies to revise the policy implementation. This would assist the private sector to develop SMEs in accordance with the market trends and to adjust themselves to changes as well as to increase potential to be able to compete in domestic and international arenas which will bring about positive results on the overall national economy and Thai society.

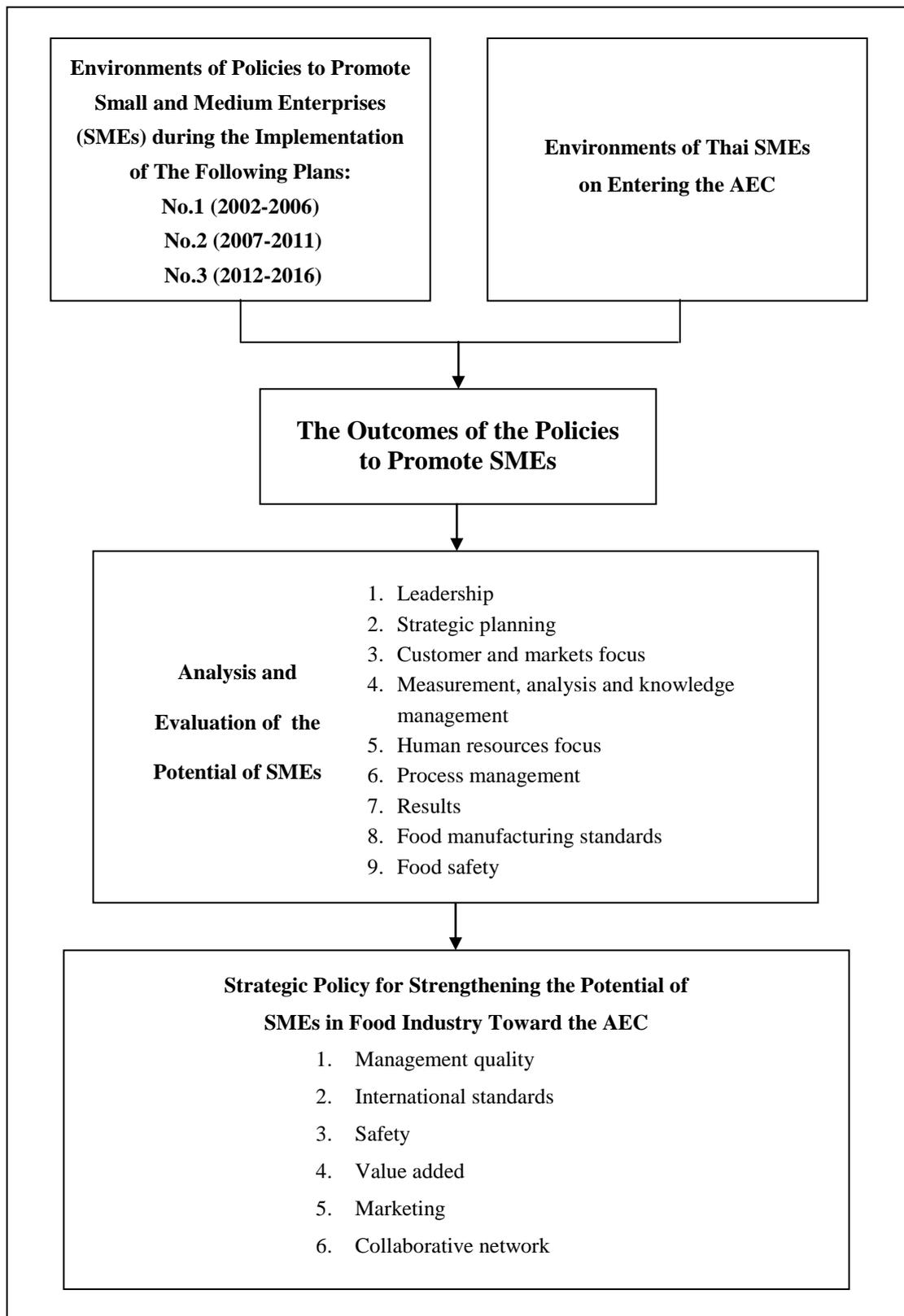


Figure 2.9 Research Framework

CHAPTER 3

RESEARCH METHODOLOGY

This research applied Phenomenological Paradigm in its studies for evaluating policies and potential of Thai SMEs in preparation for entering the AEC. Also, it reviewed the roles of stakeholders of the policies in both the private and public sectors by studying connections among the stakeholders and how policies from past to present have impact the stakeholders. The purpose of this research was to provide recommendations and practical guidelines in formulating the strategic policy framework. The research methodology was described as follows:

3.1 Research Design and Methodology

This research started with the analysis of the environments of the policies in Plans No.1 (2002-2006), No.2 (2007-2011) and No.3 (2012-2016) and performed an analysis of Thai SMEs environment on entering the AEC in order to provide explanation of the concerns of the stakeholders.

The data collection methods of this research consisted of: 1) In-depth interview. A holistic approach was used to obtain in-depth information which could give insight into the dynamic and comprehensive phenomenon. In-depth interview is the most appropriate method to study each issue in this research. Academicians and policy analysts have used such methods as observations in the policymaking process. (Yanow, n.d. quoted in Fisher et al., 2007: 405) 2) Focus group (The Thailand Research Fund, 2007). This method was first developed during World War II (1939-1945), to evaluate the efficiency of the broadcasting radio during that time. In 1946, after World War II, this method was widely used in the social sciences. A conversation group was formed with a topic to discuss. Usually, there are fewer than 10 people in a group. The people in this conversation or focus group are called “participants” or “respondents”, individuals are carefully selected to join the group.

Therefore, focus group is a tool to gather information for a particular issue. Also, it needs to have a moderator, which is a person who moderates the topics in the conversation to ensure that the conversation can continue and all participants have a chance to express their thoughts and comments.

In-depth interview was conducted with key informants from both the public and the private sectors. The key informants in the private sector were SMEs entrepreneurs who received an SMEs award. The focus group was conducted with SMEs entrepreneurs who did not receive any award.

Stakeholder evaluation focused on requests and concerns of the stakeholders, (Guba, & Lincoln, 1989: 7-11). Stakeholder evaluation was made by following the method of Riecker and Roruch, 1974: 203ff.; Weiss 1982a: 18; Guba and Lincoln, 1989: 40f (quoted in Vedung, 1991: 69-70) to obtain findings regarding the outcomes of the policies. The potential of SMEs was also analyzed by applying the method of the Malcom Baldrige National Quality Award (MBNQA) (National Institute of Standard and Technology, 2006), food manufacturing standards and food safety. Therefore, the obtained information was in-depth and authentic, which was useful in setting the policies.

Qualitative research which applies Phenomenological Paradigm is different from research with Positivism Philosophy. In other words, qualitative research relies on the competence in interpretation of the researcher in order to understand human behaviours. In addition, it requires comprehensive thoughts, experiences and multidimensional values of the research participants. Therefore, in some issues, it is crucial for the interviewer to carefully select terminology or the way the questions are asked, without having bias. For example, it investigates socio-cultural context interaction or changes of the global society in terms of values, beliefs, desires and determinations of the research participants. Hence, to seek answers, from the major stakeholder of the policies, a qualitative research should be an appropriate method. (Guba, & Lincoln, 1989: 21-48)

SMEs are an economic and social phenomenon which is dynamic and changing all the time. Therefore, this research used the method of reviewing documents, in-depth interview, and focus group, in which the key informants were the key stakeholders in the policies who were selected from the key individuals in the

food industry. Since the data of this research reflected what happened during the time when Thailand was encountering problems internally and externally which severely impacted SMEs, the findings would benefit both the private and the public sectors in predicting future trends and adjusting strategic policies in preparation for the future.

The formulated strategic policy framework would be beneficial to the public sector, providing support to the private sector and to SMEs in their efforts to compete domestically and internationally, especially their self-preparedness for entering the AEC in 2015. There were also positive results at both the micro and the macro level. That is, more revenue can be generated by SME operators, resulting in a trade surplus which would bring more foreign currencies into Thailand.

This research studied the roles of the major stakeholders in the public sector i.e., formulator, controller, regulator, supporter, facilitator, supporter in proactive strategy, catalyst, challenger and coordinator among all agencies. It also studied the roles of the major stakeholders in the private sector i.e., SMEs entrepreneur, business competitor, innovative product initiator, product brand creator, network creator and coordinator with the public sector. These findings would contribute to both sectors the new perspectives which could be applied in strategic planning and creating uniqueness for Thai SMEs.

The in-depth interview of the stakeholders in the private and the public sectors, concerned each stakeholder's role and benefit from the policies on promoting SMEs. Various types of stakeholders under the study included: public organizations, local businesses, customers, entrepreneurs, shareholders, managers, employees, vendors and competitors. However, only the main stakeholders and the direct players were chosen for the interview. Also, the researcher used the snowball technique to get to other informants. The informants in the public sector were from the Office of SMEs Promotion, the Ministry of Industry, the Ministry of Commerce, whereas the informants in the private sector were SME operators in the food industry that received and did not receive "SMEs National Awards" and general SMEs.

The research procedures were shown in Figure 3.1, starting from the analysis of the environment of the policies from Plans No.1 (2002-2006), No.2 (2007-2011) and No.3 (2012-2016). Then the analysis of Thai SMEs in preparation for entering the AEC was made by studying strategic management concepts. The implementation of policies to promote SMEs was evaluated by eliciting information from the main stakeholders, using the North American Stakeholder Model. In studying the readiness of Thai SMEs in preparation for the AEC, Malcolm Baldrige National Quality Award (MBNQA) was employed (National Institute of Standard and Technology, 2006), along with food manufacturing standards and food safety. The findings from this research would be beneficial in setting strategic policies to increase competence of SMEs for entering the AEC.

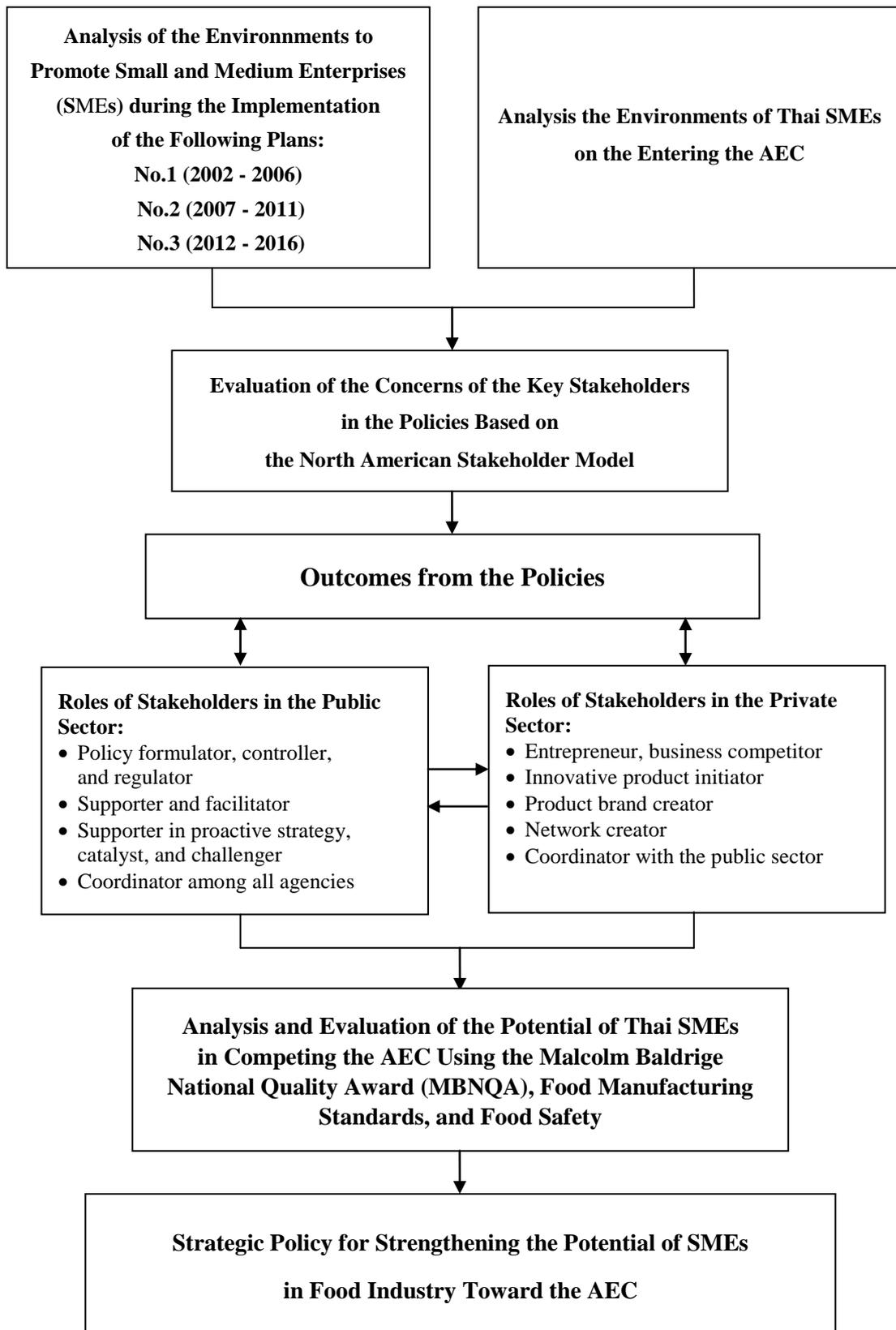


Figure 3.1 Research Procedure

3.2 Analysis Units

This research aimed to build a strategic policy framework for strengthening the SMEs toward the AEC. The units in the analysis were registered corporates SMEs in food industry and registered corporate SMEs which received SMEs National Awards given by the Office of SMEs Promotion and the Ministry of Industry. The awards included the following: SMEs National Awards, Complementary Awards, and outstanding Awards

3.3 Key Informants

This research studied the concerns of key stakeholders in both the private and the public sectors.

3.3.1 Key stakeholders in the Public Sector: The researcher selected for interview top administrators who played a major role in setting the policy, regulations, and standards. Also, interviewed were middle-level administrators who have a role in supporting and facilitating activities under the policy to promote SMEs by the Office of SMEs Promotion as well as other organizations, such as the Ministry of Industry and the Ministry of Commerce. (Table 3.1)

Table 3.1 Key Informants in the Public Sector

Entity	Criteria	Importance of each Role
1. The Office of SMEs Promotion	Organization directly supporting the operation of SMEs	<ol style="list-style-type: none"> 1. Setting the policy and supporting plans 2. Assisting and giving consultation to SMEs operators in business plan 3. Being the center of the network of operators
2. Ministry of Industry	Main organization monitoring industrial production	Setting and implementing the policy to support industrial production
3. Ministry of Commerce	Supporting activities at the downstream of the supply chain of food industry	Conducting activities to promote trade of food industry
4. SME Bank	Organization providing financial resources to SMEs	Directly provide loans to SMEs operators
5. EXIM Bank	Main entity to provide financial resources to SMEs	Supporting import and export activities

The following were topics of the in-depth interview of the key stakeholders in the public sector:

- 1) Environment of the policy to support SMEs
- 2) Roles of stakeholders and their contributions to policy implementation
- 3) Issues, problems, obstacles, and concerns of the stakeholders
- 4) Activities to support and enhance competency of the SMEs in order to prepare for entering the AEC, especially in the food industry
- 5) Coordination between organizations in the public sector
- 6) Coordination and coordination in implementing the policy to support SMEs and their expectations
- 7) Recommendations for setting a strategy to promote SMEs, especially in the food industry

The open-ended questions varied depending on the duties and missions of the informants.

3.3.2 Key stakeholders in the Private Sector: The researcher used in-depth interview and focus group to collect the data. In-depth interviews of SMEs operators in food industry were conducted. These SMEs produced: 1) fishery products, 2) livestock products, 3) canned and processed fruit and vegetable products, and 4) rice, cereal, flour and instant food products. The informants were registered corporates SMEs in food industry and registered corporates SMEs which receive SMEs National Awards given by The Office of SMEs promotion, Ministry of Industry, which includes the following awards: Excellence SMEs, Complementary Awards and Good SMEs (Table 3.2). For focus group, the interviews involve SMEs operators in food industry which consists of the followings: 1) fishery products, 2) livestock products, 3) canned and processed fruit and vegetable products, and 4) rice, cereal, flour, and instant food products. Like the in-depth interview, the participants were registered corporate SMEs in the food industry (Table 3.3).

Table 3.2 Key Informants from the Private Sector in In-Depth Interviews

Type of Industry	SME Name	Area
1. Fishery products which consist of canned and processed sea food such as canned shrimp, frozen sea food, canned tuna, canned sardine, dried sea food, and canned sea food	1. Pornthip (Phuket) Co., Ltd. (Processed seafood)	Phuket
	2. Siam Southern Food Line Co., Ltd. (Processed seafood)	Phuket
2. Livestock products which consist of frozen chicken, finished food products from chicken and pork such as sausage, meatball, dried, and shredded pork	1. Tung-Ngee-Seng (Jao-Sua) Co., Ltd. (Processed livestock product)	Nakornratchasima
3. Canned and processed fruit and vegetable products which consist of canned pineapple, canned pineapple juice, dried fruit, preserved fruit, frozen fruit and vegetable, canned baby corn, canned bamboo shoot, fermented vegetable, and orange juice	1. Sunshine International Co., Ltd. (Processed fruits such as durian, mango, mangosteen, and rambutan)	Phatumthani
	2. Food Tech Co., Ltd. (Processed fruits such as banana, durian and jack fruit)	Prachinburi
4. Rice, cereal, flour and instant food products which consist of rice, rice flour, tapioca flour, dried noodle, instant noodle, sugar, palm oil, and bean oil	1. J.M. Food Industry Co., Ltd. (Instant food and seasoning)	Phatumthani
	2. Xongdur Thai Organic Food Co.,Ltd. (Instant food)	Nonthaburi
	3. Nithi Foods Co., Ltd. (Instant food and spices)	Chiang Mai

Table 3.3 Key Informants from the Private Sector in Focus Group

Type of Industry	SME Name	Area
1. Fisher products which consist of canned and processed sea food such as canned shrimp, frozen sea food, canned tuna, canned sardine, dried sea food, and canned sea food	1. P.T. Foods Processing Co., Ltd. (Processed seafood)	Samutsakorn
	2. Chai Charoen Marine (2002) Co., Ltd. (Processed seafood)	Pattani
2. Livestock products which consist of frozen chicken, finished food products from chicken and pork such as sausage, meatball, dried, and shredded pork	1. I.B.F. Halal Foods Co., Ltd. (Processed livestock product)	Bangkok
3. Canned and processed fruit and vegetable products which consist of: canned pineapple, canned pineapple juice, dried fruit, preserved fruit, frozen fruit and vegetable, canned baby corn, canned bamboo shoot, fermented vegetable, and orange juice	1. Hi-tech Bio (Thailand) Co., Ltd. (Fresh and processed fruit)	Chiang Rai
4. Rice, cereal, flour and instant food products which consist of: rice, rice flour, tapioca flour, dried noodle, instant noodle, sugar, palm oil, and bean oil	1. Thai Rich Foods Co., Ltd. (Instant food)	Patumthani

The following are the main interview topics in the in-depth interview of the key stakeholders in the private sector:

- 1) Environment of the policy to support SMEs
- 2) Activities and type of business which the stakeholders are involved in
- 3) Issues, problems, obstacles, and concerns of the stakeholders and SMEs business operators
- 4) Coordination with government organizations and expectations from the government organizations
- 5) Promoting activities for SMEs
- 6) Leadership, strategic planning, customer and market focus, measurement, analysis and knowledge management, human resource focus, process management and results, food manufacturing standards, and food safety to enhance the competency of SMEs in competing at the domestic, regional, and international level, to be ready to enter the AEC
- 7) Recommendations on strategy setting to promote SMEs in order to increase competitive competence at the domestic, the regional, and the international level

The following were the main interview topics in focus group of the key stakeholders in the private sector:

- 1) Environment of the policy to support SMEs
- 2) Activities and types of business which the stakeholders are involved in
- 3) Issues, problems, obstacles, and concerns of the stakeholders and SMEs business operators
- 4) Guidelines to solve problems, obstacles, and concerns in SMEs operations
- 5) Coordination with government organizations and expectations from the government organizations
- 6) Promoting activities for SMEs
- 7) Leadership, strategic planning, customer and market focus, measurement, analysis and knowledge management, human resource focus, process management and results, food manufacturing standards, and food safety to enhance

the competency of SMEs in competing at the domestic, the regional, and the international level to be ready to enter the AEC

8) Recommendations on strategy setting to promote SMEs in order to increase competitive competence of the domestic, the regional, and the international level

The open-ended questions varied depending on the duties and missions of the informants.

This research collected the primary data from 37 key informants: 19 from the public sector and 18 from the private sector.

3.4 Information Gathering

3.4.1 Secondary Data: The researcher conducted documentary research, taking the data from reliable sources.

3.4.2 Primary Data: The researcher herself gathered information by conducting in-depth interview, focus group using open-ended questions in the face-to-face interview with the key informants.

As for the in-depth interview, the key informants in the private sector were SMEs operators in food industry who received the National Excellent SMEs Award, while the focus group included as participants the SMEs operators in the same industry who did not receive any award. Insights and comments from the interview have reflected concerns and obstacles which the SMEs operators were currently facing. The researcher had thoroughly studied selected secondary data in order to know who to contact for interviews. Then, the researcher contacted the stakeholders for interviews to make an appointment. During the interview, all questions were open-ended questions that were tailored to fit the roles of each stakeholder.

3.5 Data Analysis

SMEs are important to economic and social development in Thailand. SMEs are a highly dynamic economic and social phenomenon. Therefore, in order to study about SMEs, a qualitative research was conducted and the methods used were

reviewing the secondary data and performing in-depth interviews of the key informants who are stakeholders in the implementation of the policy to support SMEs.

According to the research by Holliday (2002: 101), in presenting research results, the researchers cannot just present the raw data; they need to organize the data into information, develop a strategy to present the information, and finally present the ideas whether these ideas were supported or rejected by the findings. To analyze the given data, Moustakas (1994 quoted in Rudestam, & Nweton, 2001: 157) suggested starting with the experience of the researcher related to the research or the background of the research. Then, the researcher would review, repeat and categorize information received from the interviews, and unnecessary or unrelated information should be left out. After categorizing information, the researcher should come up with a narrative of the studied topics. To present the study, the researcher has to organize, analyze and summarize each piece of information derived from the stakeholders.

After gathering the data, the researcher analyzed and classified them and summarized the findings. Moreover, the researcher evaluated the accuracy of the information by using the Triangulation evaluation method in order to increase the validity of the research. This was performed based on Multiple Perception concept (Stake, 1994: 241 quoted in Holliday, 2002: 76). Also, the researcher requested other related parties to evaluate the validity by analyzing the environment to come up with strengths, weaknesses, opportunities and threats of the policies to promote SMEs. In using the Balanced Scorecard, the researcher asked the participants to read and verify the accuracy of information, and then asked other related parties to verify the information in terms of accuracy of the overall data and the quality of "Knower". (Bailey et al., 1999: 172 quoted in Holiday, 2002: 81).

It is important for the researcher to conduct research and verify the obtained information at the same time in order to ensure that the qualitative research being conducted has matured procedures and that the researcher must be skeptical about all received information (Supang Jantawanich, 2006: 109). After that the researcher would summarize and categorize the findings by using the analytic induction method. This was to find common aspects and relation of each stakeholder to the policy. Then, the inductive method was used as the way to present the summary of the strategic policy framework of strengthening the potential of SMEs toward.

CHAPTER 4

THE ANALYSIS AND EVALUATION OF SMES PROMOTION POLICIES IN THAILAND

To analyze and evaluate the policies to promote SMEs in Thailand, which include 3 policies: No.1 (2002-2006), No.2 (2007-2011) and No.3 (2012-2016), the researcher used the following tools and methods: studying academic and reliable materials relating to these policies, conducting in-depth interview and focus group and analyzing strengths, weaknesses, opportunities and threats of the policies to promote SMEs.

4.1 The Overview of SMEs Promotion Policies Implementation

SME is one of the components that drive national economic development. It generates a high revenue and creates employment. SMEs play has a crucial role in economic, social, political and cultural development in Thailand. After the financial crisis in 2000 (The Office of SMEs Promotion, 2010), the SMEs promotion Act of 2000 was passed and the Office of SMEs Promotion was established.

SMEs promotion Act of 2000 has designated the SMEs Promotion Committee to set a policy to promote SMEs. This policy served as a framework for planning by the Office of SMEs Promotion. So far there have been that were implemented as follow: No.1 (2002-2006), No.2 (2007-2011) and No.3 (2012-2016). The office has played has the role of a coordinator between SMEs and public organizations in order to drive the development of SMEs in accordance with the National Economic and Social Development Plan. (The Office of SMEs Promotion, 2011a)

4.1.1 The SMEs Promotion Plan No.1 (2002-2006)

The first SMEs development policy was set in accordance with the 9th National Economic and Social Development Plan (2002-2006). This plan was based on the summary of the national workshop entitled “Strategies to Develop SMEs” held on June 8-9, 2001. This workshop was aimed at gathering comments and ideas from the public and the private sectors to set strategies in the same direction.

Thai SMEs still lack competence to compete in the international market. This has been noticed since the financial crisis in 1997 and since there were free trade areas in many regions of the world in the past several years. Therefore, it is necessary to set effective and comprehensive strategic plans in order to bring about integration among different parties and to promote SMEs in terms of production, trading and service. SMEs were categorized into groups and their strengths, weaknesses, opportunities and threats were analyzed to create visions and strategies which could lead to sustainable growth and development of SMEs.

It was during the time when Thailand had just been recovering from the financial crisis that the first policy were set. The policy makers decided to allocate resources to help in recovering businesses. At the same time, they had to ensure that SMEs received sufficient supports from the government and the businesses had been driven forward.

The first SMEs promotion plan (2002-2006) was proposed and approved by the cabinet on May 6, 2006. Later, this plan was implemented by the public and the private sectors to promote and receive SMEs from the impact of the financial crisis. This policy emphasized the following areas: public infrastructure development, ensuring of quality services provided by government agencies, reducing red tapes in the government agencies, which were an obstacle to business growth, improving labor skills, and promoting research and development activities. In addition, this policy aimed to solve problems and establish a foundation for growth of the following industries/groups: 1) Export: The policy emphasized product positioning to increase potential to compete in the international market, especially in the high-end market. 2) Building new entrepreneurs. It highlighted assisting new SMEs operators who used the knowledge base of “New Economy” as a driving source to promote the business and generate income. 3) Community Corporates. These are corporates established in

communities, in which the people use local materials and sources to produce goods and services.

The Office of SMEs Promotion promotes the SMEs according to the SMEs promotion plan No.1 (2002-2006). Table 4.1 shows the results of the implementation of the SMEs promotion plan No.1 (2002-2006).

Table 4.1 Results of the Implementation of the SMEs Promotion Plan No.1 (2002-2006)

Goals from SMEs promotion plan	Performance				
	2002	2003	2004	2005	2006
Continuous increase of Gross Domestic Products (GDP) of SMEs in which exceed 50% of GDP in 2006	41.3	39.8	39.8	39.4	38.9
Increase of 180,000 employments/year in SMEs	4,990,217	5,566,865 (576,648)	8,357,493 (2,790,628)	8,458,160 (100,667)	8,863,334 (405,174)
2.5% Increase of productivity rate for labor in SMEs (per year)	The productivity rate in the 4 main industries increased 4.4% during 2000-2004				n/a
At least 6% increase in export(per year)	n/a	n/a	- (1,171,072 million Baht)	12.3 (1,315,668 million Baht)	9.3 (1,438,280 million Baht)
72% of SMEs were registered within 2006 (presented by number of SMEs)	422,267	430,566	446,194	450,582	546,319
50,000 new SMEs/year (presented by number of SMEs)	35,381	43,440	47,583	49,534	46,816
10% increase of occupational groups in communities, which reaches 6,300 groups in 2006 (presented by number of groups)	n/a	n/a	7,450	8,010	

Source: The Office of SMEs Promotion, 2007a.

From Table 4.1, the actual performance is lower than the set goal such as GDP, increase in productivity, increase in registered corporates, increase in the number of new SMEs. However, some goals were met such as increase in employment and exports. Development of SMEs will lead to the recovery to the country's economy and the development of infrastructure.

The following briefly states the goals of the SMEs promotion plan No.1 (2002-2006). (The Office of SMEs Promotion, 2007a)

Goal 1: To raise the GDP from SMEs to 50% of total GDP during the years 2002-2006. The growth rate of GDP from SMEs was relatively low compared to the large enterprises. SMEs in production and service industry still grew during the years 2002-2006; however, the growth rate of trade and maintenance industry decreased 31% in 2001 and 29% in 2005.

Goal 2: To increase employment to 180,000 jobs per year. SMEs are considered as a major source of employment. During 2006 the total employment of the country was 11,351,552 and SMEs employed 8,863,414, or 76.7%, and the number continued to grow during 2003-2006.

Goal 3: To increase labor productivity in SMEs to 2.5% per year. This goal was set in accordance with the goal of the 9th National Economic and Social Development. A study by the Office of Industrial Economics during 2001-2005 revealed that 4.4% increase in employment in the following industries: 1. Food and beverage 2. Fabric and Clothes 3. Furniture and 4. Gem and Jewelry.

Goal 4: To increase the value of export products from SMEs to at least 6% per year. During 2004-2006, about 29.7% of all export products were from SMEs. The export growth rate of SMEs was smaller in comparison with the total national export. During 2006, the total value of exports from SMEs was 1,438,280.1 million Baht, or 29.1% of the total export, which was 4,946,452.0 million Baht. It was 9.3% increase from 2005.

Goal 5: To increase the number of registered corporates to at least 72% of all SMEs. In 2006, there were 537,360 SMEs registered with the Department of Business Development out of the total of 2,274,540, or 23.6%, of total registered SMEs.

Goal 6: To increase new SMEs to 50,000 per year. In 2006, there were 46,816 newly established SMEs. These SMEs categorized by industry were wholesales, retails, cars and motorcycles repairmen, personal and home accessories, Most SMEs in these group did not have sufficient skills in production and management. In the meantime, there were 20,078 submitted documents for business shutdown. New SMEs increased 22.8%, 9.5% and 4.1% respectively during 2003-2005. In 2006, it decreased by 5.5% from 2005 where SMEs would need to develop their systems to reach government service easily. Having SMEs registered in the government system, would allow public organizations to provide assistance to SMEs if needed.

Goal 7: To have 10% increase in the number of occupational groups with sustainable business or 6,300 groups by 2006. (These groups received 3 stars OTOP.) It was noted that the number of occupational groups increased at least 10% per year and reached 6,300 groups in 2006 as targeted. At the end of the year, there were a total of 8,010 groups with 3-5 stars OTOP.

Thus, the actual performance of the SMEs promotion plan No.1 did not reach the set goal (Svasti-Xuto, 2013) due to the limited budget, lack of knowledge and skills of public organizations and lack of unity and integration in the supporting system (Svasti-Xuto, 2013; Suwapanich, 2013). Also, there was lack of continuity in working system between the public and the private sectors (Khoprasert, 2014; Pholsin, 2014; Piamwiwatkul, 2014). The GDP of the SMEs did not reach the goal set so there is promotion to encourage new businesses and convince SMEs to have good governance.

4.1.2 The SMEs Promotion Plan No.2 (2007-2011)

The second plan was carried out by integrating some plans together. These plans appears in the 10th National Economics and Social Development Plan, which focused on sustainable economic philosophies and The National Science and Technology Strategy (2004-2013). The second plan took changes in society that could impact to the future and needs of SMEs into consideration. While this plan was developed, the goals from the first plan had not been reached yet, resulting in the lack of information about the following components of SMEs: competitive advantage,

marketing competencies, product and service development, skilled labors, advanced technology, matured accounting standards, responsibility to consumers, the environment, and coordination between the public and the private sector. In addition, Thailand was at that time facing external factors which caused adverse outcomes to the economy. These factors were free-trade areas, tax-barriers, financial regulations, changes in natural resources and the environment and changes in consumer behaviour. These factors yield negative impacts to SMEs so SMEs did not have effective supports.

Therefore, during 2005-2006 the Office of SMEs Promotion had set the SMEs promotion plan No.2 in accordance with the 10th National Economic and Social Development Plan. The process required coordination from several parties both in the public and the private sector to work together in different aspects such as conducting research, strategic documents, studying status and promotion plans for SMEs from other countries and intervention from the private sector and the experts.

The plan was approved by the cabinet on November 13, 2007. The Office of SMEs Promotion would carry out this plan to build cooperation between the public and the private sectors and to set a framework to promote SMEs during 2007-2011. This plan was set to promote the growth of SME in terms of quality and volume. To growth in quality, SMEs had to develop their innovative competencies and overall productivity. Regarding the volume, SMEs should be developed from small to medium and to large corporations. Also, it was still important to focus on developing skills, knowledge, technology, innovation, cluster business within the same business line, and local SMEs. Moreover, the objectives of the plan No.1 (2002-2006) were to develop infrastructure and to create knowledge-based corporations all of which were still crucial in this stage.

The Office of SMEs Promotion promotes the SMEs according to the SMEs promotion plan No.2 (2007-2011) as reported in the result of its performance. (Table 4.2)

Table 4.2 Results of the Implementation of the SMEs Promotion Plan No.2 (2007-2011)

Goals from SMEs Promotion Plan	Performance				
	2007	2008	2009	2010	2011
GDP from SMEs continually grows to 42% of the total the national GDP in 2011	38.70	38.10	37.80	37.10	n/a
The growth of export value from SMEs shall not be less than the growth of total export value*					
(growth of total export value	11.66	11.16	(11.17)	18.80	n/a
/growth of export value for SMEs)	8.47	7.36	(6.03)	10.39	n/a
Total factor productivity (TFP) for SMEs shall not increase less than 3% per year. This includes TFP of targeted industry and labor productively shall be increase less than 5% per year. **					
(TFP for small enterprises	0.19	0.94	(0.12)	n/a	n/a
Labor productivity for small enterprises	0.05	(0.07)	0.02	n/a	n/a
TFP for medium enterprises	(0.64)	(0.08)	(0.03)	n/a	n/a
Labor productivity for medium enterprises)	0.01	(0.06)	0.004	n/a	n/a

Source: The Office of SMEs Promotion, 2011c.

Note: () means a negative number

* SMEs situation report in 2009 and trend in 2010

** Industrial productivity and performance report during 2007-2009 by the Office of Industrial Economics, in which the targeted industries include foods, textile, automotive, electronics, steel, plastic, wooden products, furniture, machinery production, gem and jewelry and leather industries.

From the set goals in Table 4.2, the following is a summary of the goals and the performance during the implementation of the SMEs Promotion Plan No.2 (2007-2011)

Goal 1: GDP from SMEs continuously grows to 42% of the total the national GDP in 2011. However, from 2008 to 2010 GDP had been continually decreased from 38.10% to 37.80% and to 37.10%, respectively. The root cause was the financial crisis, or the so-called Hamburger crisis in the United States in 2008, which directly impacted the exporters. Also, another cause of the decrease was the internal political crisis which lasted for several years.

Goal 2: The growth of export value from SMEs shall not be less than the growth of the total export value: During 2008 and 2010, the growth rate was decreased from 8.47% in 2007 to 7.36% in 2008, and to 6.03% in 2009. However, in 2009 the growth rate was rebounded to 10.39%, which was the same direction as the overall export performance.

Goal 3: Total factor productivity (TFP) for SMEs shall increase not less than 3% per year. The TFP of the targeted industry and labor productivity shall be increased not less than 5% per year. The overall performance did not meet the set goals.

From the evaluation of the implementation of the SMEs promotion plan No.2, it is noted that there were more supports from the government; however, the supports were mostly in manufacturing sector (Suwaphanich, 2013; Svasti-Xuto, 2013). However, several limitations existed which include information to support business operation for SMEs in rural areas, budgets, expertise, understanding about concerns and challenges of SMEs by the government, and no integration among private enterprises (Morin, 2014; Taweelertnithi, 2014; Udomsin, 2014). The productivity promotion and SMEs' GDP and export did not reach the goal.

4.1.3 The SMEs Promotion Plan No.3 (2012-2016)

This plan was implemented to be in accordance with other national strategies such as the 11th National Economic and Social Development Plan (2012-2016), which involved the “sustainable economy philosophy”, “humans as the center of development” and “balanced development”. In addition, the plan was in harmony with plans and

strategies set by the government, which include an economic plan to recover from the world financial crisis, building the economy from knowledge and creativity, developing infrastructure, providing occupational training to people in rural areas and gathering information about the concerns and feedbacks of the first and second SMEs promotion plans.

During the time of setting the third plan, SMEs, especially in production industry, received more supports from government agencies; however, further assistance in product development and service industry are still needed in other industries. The assistance should include providing knowledge pertaining to business management, product and service development, business laws and regulations, an opportunity to access financial sources, and business opportunity. The personnel in the private and the public sectors responsible for promotion of SMEs have to understand problems and needs of SMEs in the world of economic, social and political change.

The plan No.3 was approved by the cabinet on May 3, 2011. The Office of SMEs Promotion wanted this plan to continue from the first two plans. The plan had guidelines for business recovery from the crises which occurred over the past years, such as Hamburger crisis, the political crisis in Thailand, the coming of the AEC and the opening free-trade areas.

In this research, which was conducted during the third SMEs promotion plan, the researcher use qualitative research method to find out and evaluate the performance of the plan implementation. To do so, the researcher interviewed key stakeholders in the private and the public sectors as well as followed up the implementation of the plan during 2012-2013. The export sector was affected by the worldwide financial crisis, which caused the delay in recovery in certain export industries (The Office of SMEs Promotion, 2013c). In addition, due to political crisis in Thailand in 2013, the total revenues from manufacturing, trading and service sectors had declined and customers and investors were concerned about the political instability and the image of the country.

The above mentioned situations impacted the following goals of the plan:

- 1) 250,000 new SMEs by 2016,
- 2) 30,000 SMEs develop their competitive competencies by the year 2016,
- 3) More than 60 SMEs networks are strengthened,
- 4) Environment factors are improved and developed to facilitate and promote SMEs,

and 5) Promote cooperation between the private and the public sectors. From the evaluation of the performance against the goal set, it is noted that due to the current situation and crisis, especially the political turmoil during 2012-2013, the set goals were not met (Svasti-Xuto, 2013).

In fact, outside factors are uncontrollable; therefore, to reduce the waste of resources “it is imperative to set policies, plans, goals, information exchange method, delegation of duties, and cooperation among SMEs and related agencies in both the private and the public sectors. Building good relationship between organizations creates an integrative environment, which increases efficiency in development of SMEs” (Suwapanich, 2013). In the private sector, most SMEs operators still need to be self-reliant because of the lack of relationship between the private and the public sectors. Therefore, access to information, the body of knowledge, and wisdom available to people is very important, especially access to knowledge and understanding about the plan to support SMEs. Once SMEs operators can get access to the right information, they will drive their business in the same direction as indicated in the plan (Piamwiwatkul, 2014; Liu, 2014; Jiwattanapaiboon, 2014b).

However, during 2012-2013, when the evaluation of the execution of the SMEs promotion plan No.3 support SMEs (2012-2016) was implemented, Thailand’s economy grew compared to the year 2011, which resulted from the increase of domestic consumption and the government’s supports for the private sector, such as increase in minimum wage and government employees’ salary, the rice pledging policy, the tax credit from buying the first car policy, the first house policy and reduction of corporate taxes. Nonetheless, in 2013 when the global economic slowed down, the growth rate in export industry decreased. The political turmoil occurred at the end of the year also caused some concerns to investors who lost confidence in the country’s economic growth. Overall, SMEs still had several limitations such as budget limitations to develop the body of knowledge, expertise, the lack of cooperation between related organizations in implementing the policy. “Regardless of how good the policy is, if it is not well accepted, it is difficult to reach the expected goals. Therefore, having the policy being accepted and cooperated by the private and the public sectors is very critical” (Svasti-Xuto, 2013).

Besides the policy of the SMEs Promotion Committee and SMEs Promotion Acts, inputs from the locals in each area are also important in setting plans to promote SMEs. These components combined together allow the policymakers to set a policy and plans in which every SMEs and related parties can implement in line with their circumstance. The third plan can be continually developed from the SMEs promotion plan No.2 (2007-2011) and can be carried out within 5 years. Therefore, the details of implementing the third SMEs Promotion Plan are as follows (the Office of SMEs Promotion, 2011c):

1) Considering the relations between plans and strategies in the 11th National Economic and Social Development Plan (2012-2016) and the related government policies and strategies.

2) Reviewing the outcome of the promotion of SMEs from the first and the second SMEs Promotion Plan.

3) Evaluating the situations inside and outside the country which can impact the performance of SMEs in the next 5 years, including problems that came from SMEs themselves. Then, brainstorming of related parties from the public sector, SMEs operators in production and service industries, representatives from private enterprises and experts to design an additional SMEs promotion framework and guidelines to promote and develop SMEs.

The strategic framework for formulating the SMEs promotion plan are as follows:

1) Considering the development plans to ensure they are set in accordance with strategic plans at different levels such as the National Economic and Social Development Plan, government's policies, strategic plans of each ministry to promote SMEs as well as the provincial group plans.

2) Reviewing the results of the implementation of the SMEs promotion plans from the past until present.

3) Evaluating the situations inside and outside the country which can impact the performance of SMEs in the next 5 years, including problems that come from SMEs themselves. Then, there should be brainstorming of related parties from the public sector, SMEs operators in production and service industries, representatives

from private enterprises and experts to design an additional the SMEs promotion framework and guidelines to promote and develop SMEs.

The formulated SMEs promotion plan must abide by the SMEs promotion Act. The government will allocate a budget and send the operation framework to related public and private entities. Next, the related parties in all areas will implement the plan, ensuring that they work in harmony to develop SMEs in line with the national development plan. (Figure 4.1)

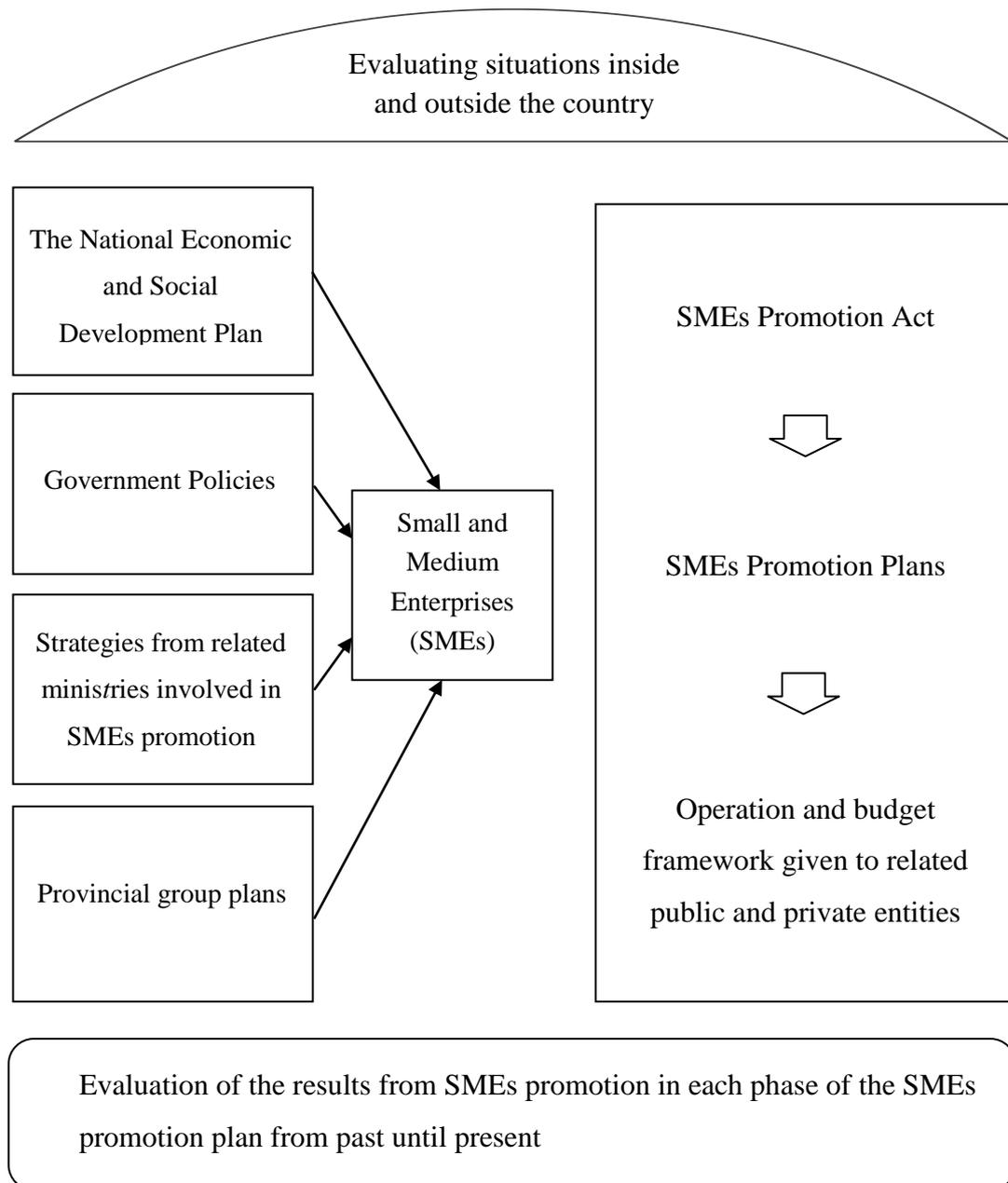


Figure 4.1 Strategic Framework for Formulating the SMEs Promotion Plan

Source: Adapted from the Office of SMEs Promotion, 2011c.

4.2 Roles of the Public and the Private Sectors in Implementing SMEs Promotion Plan

The public and the private sectors are expected to work hand in hand. The related organizations are categorized by their duties and power of the organization as follow (Figure 4.2):

1) Policymaker Entity: The entity is The Office of SMEs Promotion which is responsible for setting strategic plans to promote SMEs, classifying SMEs, setting goals, coordinating with related entities to seek for supports, following up the results from implementing of SMEs promotion plan, and acting as the information center for SMEs.

2) Operation Entities: These entities directly interact with SMEs, which include: Ministry of Industry, especially Industrial Promotion Department and Office of Industrial Product Standards; Ministry of Commerce, especially Department of International Trade Promotion, Department of Export Promotion and Department of Business Development; Ministry of Finance; Ministry of Interior; Ministry of Agriculture and Cooperatives; Ministry of Science and Technology; Ministry of Education; Ministry of Labor; Ministry of Tourism and Sports; Ministry of Foreign Affairs and Department of Primary Industries and Mines. These entities are responsible for developing technology and training SMEs operators and their staff.

3) Supporting Entities: These include organizations which support the business in different ways which are:

(1) Financial Support: Sources of financial support are SME Bank and EXIM Bank. These entities support SMEs, especially for the investment and for preparing for the AEC. The Thai Credit Guarantee Corporation provides loans, credit lines and mutual funds. One Asset Management Co., Ltd. provides venture capital service.

(2) Product and Service Standard: These include the Office of Industrial Product Standards and ISO Institute.

(3) Investment Support: The organization that provides investment support is the Office of Investment Promotion, which set investment policies and promote investment and provide benefits for investing in SMEs.

(4) SMEs Operational Location Support: This is the Industrial Estate Authorities of Thailand, which provides location to operate in industrial estates for SMEs.

(5) Environmental and Community Relations Support: The Department of Industrial Works is the main entity to promote environmental wellness and community relations.

(6) Consulting Support: The Office of SMEs Promotion and SMEs Research Center acts as a trainer and consultant.

Also, there are entities from the private sector which provides support to SMEs. These entities include the Federation of Thai Industries, the Thai Chamber of Commerce, the Bank of Thailand Society, and the Thai Association of SMEs. These entities coordinate with related public organizations to set policies and implement the plans to promote SMEs.



Figure 4.2 Entities to Promote SMEs

Source: Adapted from the Office SMEs Promotion, 2011c by using the information, in-depth interview and focus group of the key stakeholders between November, 2013 and February, 2014.

4.3 The Relationship between the Roles of Stakeholders in the Private and the Public Sectors

The relationship between the roles of stakeholders in the private and the public sectors can be classified by geographical area as follow (Figure 4.3):

1) Bangkok and nearby provinces: This is The Office of SMEs Promotion which has a role in setting up a basic plan and an operational plan to promote SMEs. Also, it includes ministries which involve in economy, public organizations, financial and educational institutions, the Federal of Thai Industries, the Thai Chamber of Commerce, and societies in the private sector. These entities work together under the same plan and provide reports which The Office of SMEs Promotion can further follow up and evaluate.

2) Provinces: These include provincial governors, local government organizations, the provincial Federal of Thai Industries, the provincial Chamber of Commerce. These entities assist in establishing the policies and operational plans, as well as implementing the plan and report the performance in order to follow up and improve the work plan.

3) Overseas countries: These include: embassies, consulates, the office of commerce, or representatives of Thailand. These entities act as coordinators between Thai SMEs and foreign entities. They also assist in planning to retain the country's benefits and provide useful information for SMEs.

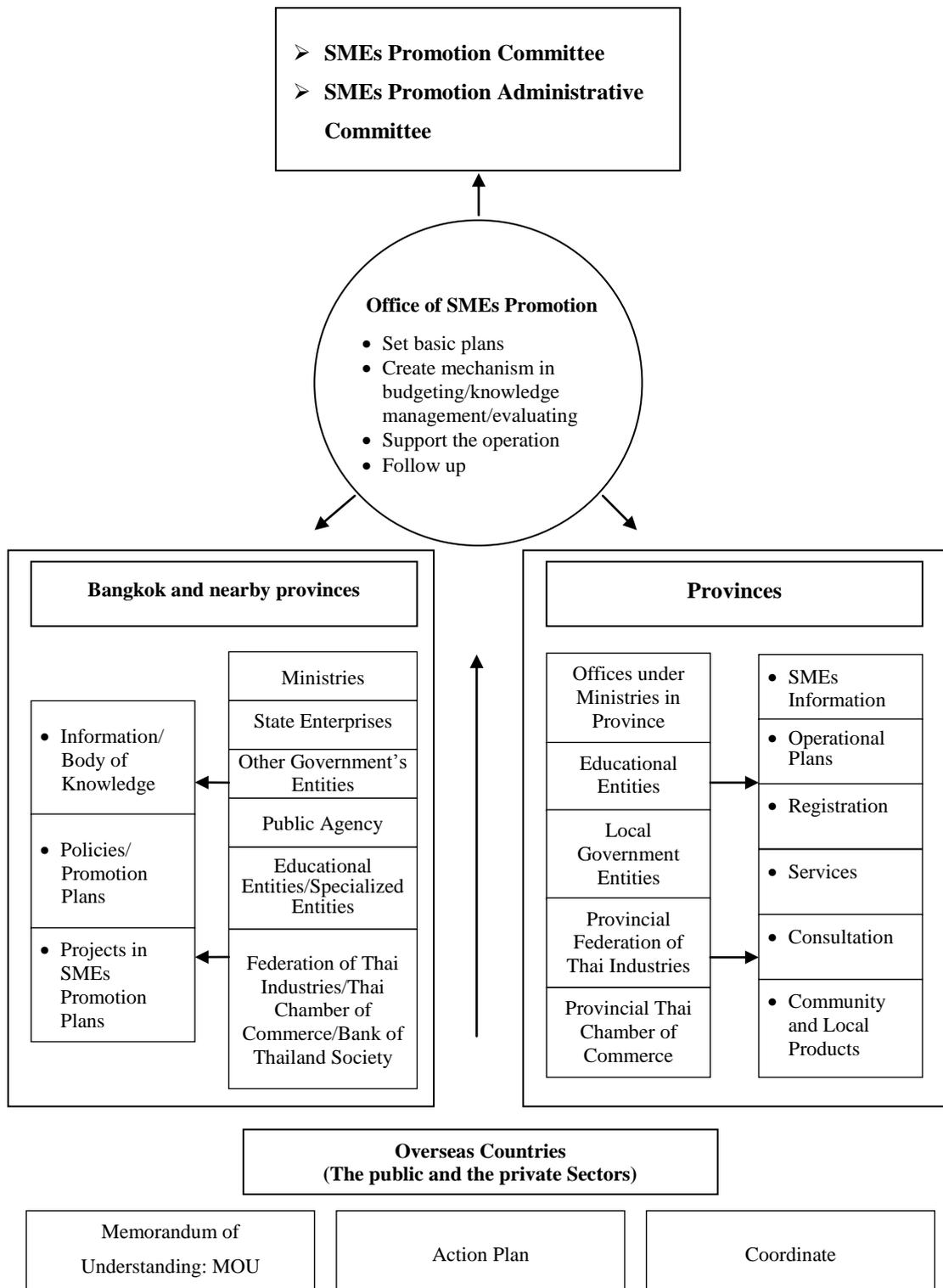


Figure 4.3 Mechanism and Network to Operate SMEs Promotion Plans

Source: Adapted from the Office SMEs Promotion, 2011c by using the information, in-depth interview and focus group of the key stakeholders between November, 2013 and February, 2014.

The Office of SMEs Promotion, as an organization to plan, motivate and support the implementation of the plan, plays a role in setting policies and plans to promote SMEs, proposing a budget plan to SMEs Support Funds. After that the office will follow up the performance of the implementation of related organizations and report the results to the SMEs Promotion Committee. Other operational organizations in both the private and the public sectors play a role in operating, supporting and reporting their performance as well as raise concerns about the challenges SMEs are facing, so that the office can further plan the way to address the concern and increase operational efficiency of SMEs.

The researcher has summarized the roles of the public and the private sectors in implementing the policies to promote SMEs, which were, in fact, the roles of the key stakeholders from both sectors. The public sector acts as 1) policy formulator, controller, and regulator 2) supporter and facilitator 3) supporter in proactive strategy, catalyst and challenger, and 4) coordinator among all agencies. On the other hand, the private sector acts as 1) entrepreneur, business competitor, 2) innovative product initiator, 3) product brand creator, 4) network creator, and 5) coordinator with the public sector

4.4 SWOT Analysis of SMEs Promotion Policy by Using the Management Strategy Balanced Scorecard

The SMEs promotion policy in Thailand can be analyzed by using the Management Strategy proposed by Kaplan and Norton (2008: 51) which is determined by the balanced scorecard:

4.4.1 Financial Perspective was used to analyze this performance of the private enterprises that seek to gain economic outcome. However, when a public policy is analyzed, the stakeholders perspective would be considered instead. The followings are the results of the SWOT analysis:

1) Strengths in Stakeholders' Perspective (Financials' Perspective)

(1) SMEs are the foundation of Thai economy: They are a main source of income. They create jobs, and thus are a tool to alleviate poverty (Svasti-

Xuto, 2013). Therefore, SMEs are a vital cornerstone of economic, social, and cultural development of the country. SMEs have potential to be more competitive.

(2) Agriculture and food sectors are significant to Thailand's economy, society, politics, and security: Thailand is full of natural resources; for this reason, it is a source of quality agricultural and food products, and has been ranked No.1 in the world market (Rattanakangwan, 2013; Kaewprakaisongkul, 2014). Thailand's food and agriculture industry of Thailand is well-known around the world with the tendency to increase the export volume of about 1 trillion baht a year and to create most jobs among the industries (The Office of SMEs Promotion, 2013b).

(3) Food industry is an industry that the government focuses on and supports the most: Thai food industry has been accepted by the customers in ASEAN as qualified products (Suwapanich, 2013). It creates an export revenue of many hundreds billion baht yearly. Moreover, the Thai government set a goal for Thailand to become the "kitchen of the world". With the support of BOI, food industry as a main industry needs to be promoted by giving privileges to the investors in this sector and facilitating with public services and technologies.

2) Weaknesses in Stakeholders' Perspective (Financials' Perspective)

(1) Lack of good management of SMEs businesses: Most SMEs in Thailand are family businesses; thus, decision makings both at the top and the bottom levels have been in the owner's power or a small group (Masamran, 2013). The administration of the organization lacks transparency and planning; as a result, there is no management of capital, account, and efficiency evaluation system. The lack of organizational vision and group networking with other similar businesses make SMEs unaware of the changes of the economic environment due to the trade agreements in the international communities, such as the AEC. If SMEs don't adapt the changes, they will be faced with severe obstacles in the near future.

(2) Limited access to financial sources: Many SMEs cannot access to reliable financial sources from the public and the private banks (Ahunai, 2013; Kedking, 2013; Srimuangthon, 2013). This happens because of the poor management of business account and poor administration standard, as the lack of the mortgage securities in order to get credits from the banks, and the credits of SMEs themselves

the banks' rules and regulations are not suitable for the SMEs' entrepreneurs and their businesses.

(3) Lack of the shared direction and development: There are so many agencies dealing with SMEs that work separately depending on their roles (Apimonbut, 2013; Siriyanon, 2013; Suwapanich, 2013; Vasinonta, 2013) SMEs lack a unified clear direction from the government which is supposed to support them. Each agency works independently to assist SMEs without collaboration; consequently, the budget allocated to different agencies by the government was spent on SMEs promotion in effectively promote SMEs. Therefore, the work has been allow due to complicated laws and many benefits.

(4) Lack of unified coordination in management of food industry: Since there are many agencies and regulations that are with SMEs, the lack of unified and integrated management among these agencies (20 ministries-Ministry of Agriculture and Cooperatives, Ministry of Public Health, Ministry of Industry, Ministry of Commerce, Ministry of Interior, or Office of the Prime Minister etc.) National plan is the plan without integrating agencies' plans to achieve it. There has been redundancy of laws concerning food cycle, there is no law controlling the quality of plants and animals for consumption. Therefore, one business has to ask for many permissions from different agencies for its business. The role of agency is not clear so the law enforcement is different, so the food law is not properly enforce then the enforcement on food is not efficiency. The licensing for seeing food is also a problem, which agency tends to collects fees than taking care about the health. Information problem evaluation and preparing to face the food crises is not integrated and inefficient.

(5) The fluctuation of the food industry growth: The growth of the food industry is unstable. Due to the fluctuating cost of the raw materials used for the food industry, which account for 70-80% of the production cost (The Office of SMEs Promotion, 2013) plus the cost of transportation and the gas. This is because the materials are in the countryside and needs to be transported to the SME factories.

(6) The problems about the comparative competition of food industry: The food industry has lost its ability to compete especially in the businesses that need raw materials and labor because the competitors, such as China or Vietnam,

have cheaper resources (Mahiwan, 2013; Panichakanuson, 2013; Souyjanyaa, 2013; Techasanskul, 2013). The prices of the raw materials are high and some materials need to be imported from other countries because of the insufficient sources in Thailand, or some materials are controlled by large-scale corporations, while others are of poor quality, so SMEs cannot control their cost effectively, causing Thailand to lose its ability to compete.

3) Opportunities in Stakeholders' Perspective (Financials' Perspective)

(1) The popularity of a new paradigm in modern businesses that benefits SMEs: Large-scale businesses tend to implement the expense-cut policy by outsourcing the jobs that are not the core business. This practice will benefit SMEs since they can become sub-contractors or suppliers for the industry, or become the network businesses to help cut the expense and access to the right target market.

(2) The cooperation in a free trade agreement with the AEC: This will expand the market as the agreements made with economic communities bring about many more target groups, especially China and India. The economic coordination will also bring the trade, series, investment, along with cooperation in education, labor skills development in science and technology which will eventually strengthen the AEC in the world stage (Susomboon, 2013). SMEs will be benefited from the free trade agreement which will enable them to move products and services, investment, capital, labor, and others freely. Thailand's location is advantageous because it is in the middle of the Indo-china where all roads and transportation are available and connected to neighboring countries; thus, Thai SMEs can easily expand to other ASEAN countries especially in the competitive businesses such as car assembly, food products, electronics, and services such as tourism, health services, and IT.

(3) The support and promotion of creative: Thai SMEs are able to export goods and services to other countries: Since SMEs account for 99.8 of all the enterprises (The Office of SMEs Promotion, 2013b) and are the main source of income, many infrastructures have been provided to support SMEs. The Government has a policy to promote creative businesses by supporting unique SMEs to export their goods and services. These creative industries has made about 10-11% of the GDP and the percentage tends to increase each year (The Office of SMEs Promotion, 2013b).

(4) Thailand has been perceived as the food production source of the world: Thailand's location is good for food production, agriculture, and food-chain products. The more people see the importance of healthy food consumption, the more this will benefit Thai food industry.

(5) The government supports and recognizes the importance of the food businesses: The government has supported food businesses by having a policy to promote Thailand to be the kitchen of the world, a policy to support setting up Thai restaurants in other countries and the exportation of Halal food, including supporting Thai food industry to reach the international standards. Moreover, in its tourism policy, the government also support the food safety for the tourists and community businesses in line with the economic theory of the King.

(6) Joining the AEC benefits the food industry: Joining the AEC opens the door to the 600 million populations in ASEAN and its allies such as China, Japan, South Korea, India, Australia, and New Zealand (The Office of SMEs Promotion, 2012a). It also opens the door to substituted resources such as fishery from Philippines, Indonesia, and Myanmar (Svasti-Xuto, 2013; Vasinonta, 2013). The downstream business in Vietnam, Cambodia, Indonesia, Malaysia, and Philippines opens opportunities for Thai investors to invest in businesses such as hospitality industry and restaurants (Siriyanon, 2013) in ASEAN countries. The ASEAN-Japan Center was established to help SMEs since Japanese loves goods from ASEAN (Unchundacha, 2013). The contract framing will also benefit the agriculture in Thailand, with CLMV rights, along with the benefit from the Mutual Recognition Agreement: MRA, which will help each country maintain the standard of their goods (Harmonization) in ASEAN.

4) Threats in Stakeholders' Perspective (Financials' Perspective)

(1) Increase in International competition: When the economic community such as the AEC is officially established, Thailand must abide by the free trade agreement it has signed. The trading will be more complicated, and tactics and measures to obstruct the goods will be used against each other (Apimonbut, 2013; Siriyanon, 2013; Techasanskul, 2013). The trading in the region will be more competitive, the entering to the group of the emerging economy countries will draw

more investment from foreign countries (FDI) since these emerging countries are still full of natural resources, which is a threat to the Thai SMEs.

(2) The politics instability: Another threat to the growth of SMEs is the instability of Thai politics which causes the inconstant management of SMEs, the lack of systematic management and coordination and ununified promotion plan (Liu, 2014; Morin, 2014; Subpot, 2014a). In this political situation, the execution of any plan or policy cannot be carried out efficiently, and the lack of integrated management plan will harm SMEs.

(3) Manufacturing standard problems: The higher manufacturing standard makes it necessary for enterprises to consider the environment, and declining resources increases the SMEs' expense in dealing with the problem, including expenses for product development and research and development to meet the standards.

(4) World climate and world situation problems: Today the world faces problems such as natural disasters, terrorism, political crises (Morin, 2014a; Morin, 2014b; Pholsin, 2014). These problems many crises such as the fluctuating world economy and high gas prices, all of which greatly affect the SMEs capability to adapt to changes.

(5) International trade and investment in food industry problems: Joining the AEC will bring about obstacles in food industry. For example the investment in other countries require high investment and there are problems about the different rules and regulations (The Office of SMEs Promotion, 2013b). For example, to invest in fishery in Indonesia the investor must follow the rules that all fishery products need to be shipped to the Indonesia's ports first Goods exported from Thailand may face problems such as standards of quality or even the human rights problem that will prevent its goods from being exported to some countries.

(6) Increasing number of food exporters in the world market: Another problem is that Thai SMEs will be faced with severe competition from many more food exporters in the world market since other countries have lower wage, which will attract more investors to them, especially if other countries such as Vietnam, Laos, Myanmar, or Indonesia lessen the regulations in order to draw investors to them.

(7) Risks from the economic fluctuation in other countries: Thai SMEs may be affected by the economy of the consumer countries, which may cause lower demand for goods decreased due to the change in their internal economy.

4.4.2 Customer Perspective

The following are the results of the SWOT analysis:

1) Strengths in Customers' Perspective

(1) Ability to produce goods and services in response to the need of targeted customers and niche market: quickly and efficiently with lower costs and better skills than large-scale enterprises by using knowledge and experience from being contractors to improve and add value to their products (Liu, 2014; Piamwiwatkul, 2014; Taweelertnithi, 2014). Moreover, since SMEs are flexible, they respond to changes better than large-scale businesses.

(2) The unique Thai food can respond to the need of the customers: Thailand improve food and agriculture continuously and its goods are unique, the manufacturing can be adjusted; therefore, they satisfy the needs of the customers.

(3) Food products reach the international standards and are approved by the consumers: in Asia and other continents such as Europe as a qualified and safe goods (The Office of SMEs Promotion, 2013b).

2) Weaknesses in Customers' Perspective

(1) Lack of in-depth market information: Because of the limited capital, SMEs cannot approach the market efficiently (Chokesakulnimit, 2014; Wuttiyakornkul, 2014). SMEs lack in-depth market information, both information about competitors and about customers' behaviours which nowadays are very complicated and very demanding. They also lack goods distributors inside and outside of the country as well as lack of market opportunity. Most of the time Thai SMEs have to work alone to find allies and learn how to distribute their goods. The most important thing is their goods have not yet trusted by the market.

(2) Lack of outstanding brands and trademarks: The SMEs entrepreneurs still lack knowledge of how to apply technologies to help create unique brands and trademarks and use them to their marketing advantages. Also, they cannot equally access supports for goods promotion by the government.

(3) The lack of realization for desired behaviours of choosing and consuming the standardized food: The customers or consumers still lack information and desired behaviours in choosing food. This causes Thais to risk their health when consuming contaminated food. Customers who ran into a problem solved it individually, not collectively; therefore, they could not bargain with the manufacturers or they did not report to the problem through the proper channel. They chose to stop consuming the goods instead. The government hasn't collaborated with private organizations or communities to protect the customers well enough.

3) Opportunities in Customers' Perspective

(1) The changing consumption trend and social structure: Recently, the new trend of consumption is consuming goods and services that are natural and cultural rooted including the products that help preserve the environment and support communities as well as ASEAN trend (Jiwattanapaiboon, 2014; Piamwiwatkul, 2014; Taweelertnithi, 2014). The world is now facing the problem of aging population, especially, U.S.A. and Japan; thus, aging customers have become the new market. This phenomenon will benefit Thailand which is full of craft skills and rich cultures. Thai SMEs can thus provide this group of customers with goods and services, such as beauty and health service, tourism, and goods that will satisfy the mind of aging customers.

(2) The acceptance of the customers in ASEAN and around the world: Thai goods and services have been well accepted worldwide in terms of quality and competitive price; consequently, the demand for Thai goods and services is increasing (Srinongkote, 2013). In the WTO agreements, the safety of the food is emphasized, which will drive businesses to improve their quality and eventually improve the standards of the goods for the consumers.

4) Threats in Customers' Perspective

(1) Marketing Problems: Most SMEs will do the marketing themselves; only a few of them pay a marketing consulting company to do it for them. They lack of the knowledgeable personnel who can help them in marketing, especially how to do marketing in foreign countries (Udomsin, 2014). They lack marketing objectives and plans and ignore the importance of customer satisfaction surveys.

(2) Over-consuming Problem: The changing world economy has caused intense business competition, so manufacturers need to make their goods known to the customers quickly and discourage them from “consumerism”. The over-consumption of goods which harm their health and affect the economy and society must be reduced.

4.4.3 Process Perspective

The following are the results of the SWOT analysis:

1) Strengths in Process’ Perspective

(1) The private sector is active in competition: The management and product development process of SMEs enable them to compete in the market, since they have sufficient resources and potential to improve their intangible assets such as administration, product innovation, ICT, and copy right, which will help create economic outcomes.

(2) Materials used in food industry is well prepared: Food industry in Thailand gains advantage over other countries since 80% of the materials are locally produced, which allows Thai businesses to save the cost except for some goods such as tuna, beef, fresh milk that need to be imported.

(3) Constant improvement of agricultural and manufacturing technology: Thailand is equipped with knowledge, experience, and skills in improving agricultural and manufacturing technology to meet the needs of the world market, especially the processed food with higher standard and safety (Jiwattanapaiboon, 2014a; Jiwattanapaiboon, 2014b; Khoprasert, 2014) It surpasses its competitors such as Indonesia, Malaysia, India, and Vietnam in this respect.

2) Weaknesses in Process’ Perspective

(1) Lack the ability to develop the product constantly: Only a few SMEs have an ability to create prototype parts. The ability to create new products is limited because most SMEs don’t have the research and development department; therefore, only a few unique products have been invented to be on market.

(2) Lack the support in systematic technology and innovation: Thai SMEs haven’t realized the need to use technology or research findings to create innovations and have a misunderstanding that doing so will increase expenses. They

need help from the government to get access to technology and innovation research information and to promote such research. (Taksinwaracharn, 2013)

(3) Lack of knowledge of business rules and regulations: SMEs do not clearly understand the law concerning how to run Thai business and do not allocate a budget to hire someone to take care of legal matter (Chokesakulnimit, 2014; Rojanasumapong, 2014); hence, the businesses are affected by the regulations such as getting permission, registration, business taxes or fees payment, all of which will increase their operation cost.

(4) Lack of technology development, innovation, and research to add value to food industry: Some SMEs cannot process their food well and they lack an ability to improve manufacturing process. Due to little support from the government on research and technology, the Thai SMEs have to rely on imported innovations; this eventually will prevent them from being competitive in the market.

3) Opportunities in Process' Perspective

(1) Opportunities to invest and develop businesses with investment funds: The chance to import more materials from other countries and the policy on flow of investment funds in the AEC will support the global pool of savings, management, and skills and Thailand will be able to purchase new machines to improve their manufacturing processes.

(2) Development of new technology and innovation: on agricultural and food industry will increase the chance to increase the efficiency of the manufacturing processes. Thailand has public agencies that support SMEs to gain knowledge and do research on food, such as the Thailand Research Fund (TRF) and the Thai Health Fund, which will collaborate with institutions to share knowledge pertaining manufacturing, production, technology, and marketing.

4) Threats in Process's Perspective

(1) Inequality to access related information: The ability to compete is reduced because of economic agreements in the groups at all levels, which will complicate the regulations in every country; hence, there will be inequality to access pertinent information, so businesses have to adapt themselves these changes.

(2) Lack of advanced technology: Being in the economic group will positively affect the country in the way that the country will be more competitive. However, if Thailand's manufacturing sector cannot keep up with advanced

technology, the business costs will be higher than competitors (Ismael, 2014; Subpot, 2014a; Subpot, 2014b) such as China, India, and Vietnam where the labor cost is cheaper.

(3) The issues about the use of the more complicate of agricultural and food technology: Since use of technology is aimed at increasing production, so the natural varieties are decreased. It reduces the use of local knowledge of the farmers and small enterprises. The higher cost of manufacturing will increase the prices, the more the products which will directly affect the consumers.

4.4.4 Learning and Growth Perspective

The following are the results of SWOT analysis:

1) Strengths in Learning and Growth Perspective

(1) Craftsmanship and hospitality: This refers the ability to use knowledge, wisdom, and cultural identity to create goods and services.

(2) A variety of natural resources in the regions: will be used to support the growth and to add value to goods and services.

(3) Food industry is composed of the entrepreneurs with skill and potential across all the supply chain: since ASEAN has a long history of industrial development. (Boonritlukana, 2014; Wuttiyakornkul, 2014) The allied countries are supported by the governments and they mostly rely on their local labor.

2) Weaknesses in Learning and Growth Perspective

(1) Lack of skill training and improvement: Thai SMEs lack skilled and efficient manpower/labor, especially those with specialized skills and languages proficiency. They also lack the tool to assess the skills and knowledge and to motivate the labor. Thai SMEs also lack a well managed social welfare system and the entrepreneur do not recognize the needs to improve the employees. The public sector hasn't developed educational curriculums that produce skilled labor to meet the need of the businesses.

(2) Lack of development and understanding of continued networking: Thai SMEs do not form a group to build a network and do not use such a group in the food chain, for the entrepreneurs view those in businesses as competitors

rather than allies and don't understand the usefulness of networking. The development of a cluster or network in the food industry will strengthen the ability to compete.

(3) Lack of realization and recognition of the importance of good governance in business: Thai SMEs don't recognize the importance of running business by seriously applying good governance principle in dealing with customers, allies, employees, communities, and the environment. They rarely take into account quality, safety, health and transparency in business dealings in order to be responsible for the customers, the society, and the environment. This is their disadvantage when compared to larger businesses. Many SMEs are run by family business owners, so the good governance principle is ignored. (Ahunai, 2013). In order to compete in the world market and to reach the world standards, the principle of good governance needs to be applied in Thai SMEs businesses.

(4) Lack of the knowledge and management information: The entrepreneurs have limited knowledge about management, especially the knowledge of how to increase productivity and efficiency of the manufacturing process or the understanding of the production chain. Most SMEs have to play the roles of managing the business, running the manufacturing processes, and dealing with administration work themselves, so they hardly find time to improve their knowledge. Many small SMEs lack manufacturing materials and information which limit their efforts in improving their products and services. Another problem is that many entrepreneurs ignore the integrity in their businesses, as well as the laws and regulations, and the right of the consumers. SMEs in food industry lack technical knowledge to take care of the safety of food products.

3) Opportunities in Learning and Growth Perspective

(1) New businesses that use to the Thai wisdom: should be promoted because the world population tends to favor local wisdom and local cultures more and more (Jiwattanapaiboon, 2014a; Jiwattanapaiboon, 2014b) so the Thainess products are becoming popular, including goods and services about health and beauty.

(2) SMEs should learn from the past disaster crises in the region: During disasters food products are in greater need than normal and sometimes there are a shortage. Fortunately, Thai products have been less affected when compared to other countries because Thai SMEs learn to adapt to changes well.

4) Threats in Learning and Growth Perspective

(1) Depletion of natural resources: because of the change in world climate and because of various crises, natural resources have been depleted. (Pholsin, 2014) Scarcity of water, electricity power, food sources and food chain, will affect SMEs greatly if they don't learn to adapt themselves or be prepared for the fluctuation of the situation.

(2) Issues regarding the lack of local occupation conservation: Thailand is an agricultural country, it is the world food source. However, more and more local labor have moved to work in the industrial sector. This causes the shortage of labor in the agricultural sector since the income is lower (Rattanakangwan, 2013). So the government needs to promote the love for local occupations in order to retain them. Agricultural technology and community capital need to be promoted in order to serve the SMEs' needs.

(3) The issue about natural resources: There is a decline of the basic natural capital such as arable land for the agriculture while the population is increasing. There is an imbalance of food supply and demand, which may cause competing for resources and affect food security in the future, particularly during crises, in which food can be used in biological terrorism.

From the interview of key informants, SWOT analysis of SMEs in Thailand in all SMEs promotion plans from the past until present. Which can be grouped according to the Balanced Scorecard Perspectives of Kaplan and Norton (2008: 51). Four perspectives in the SWOT analysis were 1) Financial or Stakeholders, 2) Customer, 3) Process, and 4) Learning and Growth (Table 4.3)

Table 4.3 The Summary of the SWOT Analysis of the SMEs Promotion Policies during the Implementation and all SMES Promotion Plans from the Past Until Present

SWOT Analysis Guidance				
	Strengths	Weaknesses	Opportunities	Threats
Stakeholders' perspective (Financials' perspective)	<ul style="list-style-type: none"> • SMEs is the foundation of Thai economy, the main source of income • Agriculture and food sectors are significant to the economy, society, politics, and security of Thailand • Food industry is an industry that the government focuses on and supports the most 	<ul style="list-style-type: none"> • Lack of good management of SMEs businesses • Limited access to financial sources • Lack of the shared direction and development • Lack of unified coordination in management of food industry • Fluctuation of the food industry growth • Problem about high competition in food industry 	<ul style="list-style-type: none"> • Popularity of the new paradigm in modern businesses that benefits SMEs • Coordination from a free trade agreement and the AEC • Support and promotion of creative SMEs to be able to export goods and services to other countries • Thailand production as the food source of the world • The government's supports recognition the importance of food businesses • Benefits of joining the AEC in food industry 	<ul style="list-style-type: none"> • Increase in international competition • The politics instability • Manufacturing standard problems • World climate change and world situation problems • International trade and investment in food industry • Increase in the number of food exporters in the world market • Risks from the economic fluctuation in other countries
Customer	<ul style="list-style-type: none"> • Ability to produce goods and services to serve to the need of targeted customers and niche market • Unique Thai food which respond to the need of customers • Approval of food products by consumers 	<ul style="list-style-type: none"> • Lack of in-depth market information • Lack of outstanding brands and trademarks • Lack of realization for desired behaviours to choose and consume standardized food among customers 	<ul style="list-style-type: none"> • The changing consuming trend and social structure • The acceptance of the customers in ASEAN and in the world 	<ul style="list-style-type: none"> • Marketing Problems • Over-consuming Problem

Table 4.3 (Continued)

SWOT Analysis Guidance				
	Strengths	Weaknesses	Opportunities	Threats
Process	<ul style="list-style-type: none"> • Activeness of the private sector in the competition • Materials used in food industry is well prepared • Constant improvement of agricultural and manufacturing technology 	<ul style="list-style-type: none"> • Lack of the ability to develop the product • Lack of the support in systematic technology and innovation • Lack of knowledge in business rules and regulations • Lack of technology development, innovation, and research to add value to food industry 	<ul style="list-style-type: none"> • The chance to develop the investment and business funding with lower investment fund • Development of technology and innovation in agriculture and food industry 	<ul style="list-style-type: none"> • Inequality to access the information • Lack of advanced technology • Issues about the use of more complicated agricultural and food technology
Learning and Growth	<ul style="list-style-type: none"> • Craftmanship and hospitality • A variety of natural resources in the region • Entrepreneurs in food industry with skills and potential across all the supply chain 	<ul style="list-style-type: none"> • Lack of skill training and improvement • Lack of development and understanding of continued networking • Lack of realization and recognition of good governance in business • Lack of the knowledge and management information 	<ul style="list-style-type: none"> • Promote new businesses that conform to the Thai wisdom • Develop the learning during disaster crises in the regions 	<ul style="list-style-type: none"> • Depletion of natural resources • The issues regarding the lack of local occupation conservation • The issue about natural resources

Sources: Adapted from Kaplan, & Norton, 2008: 51 by using the information, in-depth interview and focus group of the key stakeholders between November, 2013 and February, 2014.

CHAPTER 5

THE ANALYSIS AND EVALUATION OF THE POTENTIAL OF THAI SMES

In the analysis and evaluation of the potential of Thai SMEs, the researcher presented the information from the in-depth interviews and focus group of the participants of the key informants regarding policy implementation. Studying SMEs in food industry will benefit Thai SMEs in general as well because the findings can help them prepare themselves to enter the AEC.

5.1 Potential of SMEs

This research studied SMEs in food industry which can be divided in 4 categories: 1) fishery products, 2) livestock products, 3) canned and processed fruit and vegetable products, and 4) rice, cereal, flour, and instant food products. These SMEs were registered as corporates and received one of the three types of the SMEs National Awards: the SMEs National award, the complimentary award, and the outstanding award. The following are the SMEs examined in the research.

5.1.1 Porntip (Phuket) Company Ltd.

Porntip (Phuket) company Ltd. is an SME in the fishery industry of food industry. The detailed findings are as follows:

1) Business History and Development

Porntip (Phuket) company Ltd., led by Mr. Wirawat Piamwiwatkul has been manufacturing dry seafood and fresh seafood. The company uses the materials in the local area. Its vision is “the company will not limit itself, it aims to build for itself a prosperous future by making a difference. In order to be competitive domestically and internationally it not focus on the profit but on steady growth. It will build its own identity by focusing on manufacturing local products that meet the need of the

customers. It aims to be the leader in the quality manufactured seafood and to be excellent in management. It also aims to produce the most modern seafood products in Thailand” (Piamwiwatkul, 2014). The company is a medium-size enterprise with 120 employees. It started as a family business in Nakornrachsima province by selling pork products under Porntip brand (Numngun). Porntip (Phuket) company Ltd. was registered in 1992. It rented a building in Phuket to sell seafood products as souvenirs. It also offers the wholesale dried shredded pork and sliced pork, both of which were very famous among tourists. Mr. Wirawat considered the company as a sustainable business.

Later in 1997 during the Tom Yum Kung crisis, the company started producing Chaukoy (Chinese black jelly) in Hadyai but failed. Mr. Wirawat analyzed the business and found out that Phuket was a tourist destination with 2.5 million tourists a year. Those who visit Phuket often buy local souvenirs for friends and family member. However, the local products at that time were in poor quality so the company starts to develop local products such as Ching Chang fish, stick shrimp, dry Tai Pla and Khaosan fish. His wife helped create beautiful packaging for the products. This increased the income for the company greatly, and since then, their products were the most famous souvenirs from Phuket. In 2002 the company expanded the business by moving to the new 3-rai showroom closer to hotels and the airport. Mr. Wirawat expected that the company would become the seafood hub for tourists in Phuket. Finally, the company had its own seafood factory to produce healthy dried herbal seafood under the Porntip brand and registered the business with the capital of 1 billion bahts and increased to 6 billion bahts in 2003. The efficiency of the factory was increased to meet the international standards, was approved by GMP, HCCP, and HALAL, and was awarded an ISO 9001-2008.

The business continued to expand from Porntip (Seasotre) to become Porntip (Phuket). It could survive through SARS, bird flu crises and the Tsunami in Phuket. When many businesses collapsed, the company went through it without laying off any employees. Studying on its customers, the company found out that 50% of its customers are Thai while another 50% were the foreign customers. Since the customers could not access the products like before the company started to ship the products to the modern trade superstores. The products were recognized by the

customers as the OTOP (One Tambon One Product: OTOP) products. This helped increase the order and became a starting point for the company to ship their products abroad after joining the Thai Fex expo.

In 2008-2009, tourism in Phuket boomed a lot. The customers in Asia and Europe markets were targeted by Porntip company. Later in 2011-2013 fashionable and innovative packaging was in trend. The company also improved the employees' skills to meet the need of the customers by having better service, location, and modern trade marketing. In 2012, the Phuket municipality promoted Phuket as a world heritage and the company supported the city by creating new packaging that reflects the folk culture and the local environment. The new packaging was well received by the consumers; as a result, the company received the Packaging Design award from Japan, something that the company is proud of.

Nowadays, Porntip (Phuket) Company Ltd. sell its goods to the malls all over the country such as Siam Paragon, Top supermarket, Golden Place, the Royal project stores in many big cities. The products are very diversified and all meet the standard, such as shrimp chili paste, fancy shrimp stick, manufactured seafood, cashew nut products, can fruits, and local snacks. These products are packaged as OTOP or gift set goods. Durian drink is a new innovation. They are also exported to Singapore, Malaysia, Australia, Hong Kong with the plan to expand to China, Japan, the U.S.A., and Eastern Asian countries. The company made sure its products meet the international standard and is accepted around the world. It received the Sufficiency Economy award from Phuket province in applying the Sufficiency Economy theory in its business.

2) Awards Received and Success Story

The company won the first prize award for the SMEs in the second sufficiency economy contest in 2010. The company was also nominated as the Sufficiency Economy theory learning center of Phuket province for the SME type by the Royal project committee. It was granted the Royal Excellence Award for Economy Development by the National Identity Committee in 2013. Also it received a complementary SMEs National Awards in 2009 and 2010 from the Office of SMEs Promotion. Next it won the first prize award for the SMEs excellence from the Ministry of Industry in 2010 (Prime Minister's Industry in 2010) It was given the

Prime Minister's Export Award 2009: OTOP Export Recognition and the Prime Minister's Export Award 2011: Thai-Owned Brand. It received the Design Excellence Award: DEmark 2011 from the Ministry of Commerce and Good Design Award: G-mark 2011 from Japan in Shinoprotugese ancient snack box. It also won the ThaiStar Packaging Award 2011 from the department on industry promotion, the Ministry of Commerce, and the AsiaStar Packaging Award 2011 from Bangladesh for the Andaman Gift Set.

The secret for success is “the flexibility of the company in running the business in harmony with the community, society, and the environment by using the resources in Phuket to increase income and add value to the local products, which will create the good image and pride for the organization and the province, and build immunity for the company with the support from outside” (Piamwiwatkul, 2014).

3) Management

(1) Leadership

The entrepreneur or the executive sets vision for the organization and focuses on the staff and the internal management. The organization has various departments such as factory, store rooms, retail shop, showroom, and tourism. Each month the organization policy is formulated along with marketing, manufacturing plan. Each department helps set the plan out integrated policy in order to create strength for the company. Every department has to set plans by listening to the employees' opinions and concentrates on social responsibility, especially employing local people and support the education, sports events, and culture of the community.

(2) Strategic Planning

The company has a yearly strategic plan. Since the business is changing rapidly, the strategic plan needs to be up to date. The company trains its own staff and hires a consultant to give advice on product development, finance, and corporate social responsibility (CSR). In brief, the company has a long term plan with an adjustable yearly plan to suit the environment.

(3) Customer and Market Focus

The company involves customers in many aspects, especially in creating new products. Surveys are conducted to know the customers' and dealers'

satisfaction. The company has its customer relations department to listen to the customers through its website, facebook, and other channels. The data are gathered and analyzed and the findings are used to find some way to meet the need of the customers and to create a unique brand. The company has a laboratory and uses the government medical science center to assess the standard and quality of the products to make sure they are safe.

(4) Measurement, Analysis and Knowledge Management

The company gather information concerning the organization, research surveys, software. Information Technology (IT) have been used to measure, analyze, and review the performance in order to improve it. The forecast on food and tourism has been done using a statistical method by the experienced managers and executives.

(5) Human Resource Focus

The company organizes training for the employees and encourage them to improve manufacturing and language proficiency. The company focuses on standards, safety, the environment which will motivate the employees to work. The Key Performance Indicator (KPI) is also applied. Training, seminars, forum are held at every level of the management every year.

(6) Process Management

The focus of process management is on the decision making of the department manager. The main structure of the organization is as follows: chairperson, managing director, retail, wholesale and export, marketing, factory, sale, HR, accounting, and finance, Research and Development (R&D) managers. Every department has the process management that supports each other. The power of decision making is decentralized to the employees and department managers; however, there will be a monthly meeting to determine if the performance meets the Key Performance Indicator (KPI). If not, adjustment is made.

(7) Results

The staff is very opinionated and understand the environment of the organization so they dare to share the opinion and make decisions because they all have knowledge and potential. The success of the company consists of every aspect such as HR, performance process, product, customers, governing, marketing and

finance. The SME focuses on the growth and survival of the company, next is the profitability; hence, if the staff is happy, it will affect the efficiency and the customers' satisfaction then increase the profit to the company as well. The quality management consists of: 1) increasing sales to make more profit and employee's bonus, 2) reducing the cost, and 3) participating of the employees. So the results of the organization is the integrated image, security for the employees and company to make them feel like home.

(8) Food Manufacturing Standards

The company is certified with GMP, HACCP, HALAL and ISO 9001-2008.

(9) Food Safety

The company has been accredited for the Food and drug. It received the Certificate of Analysis (COA) for its materials and passed the aflatoxin test.

4) Issues, Problems, Obstacles, and Concerns

There have been a few issues concerning the policy but the thing that the SMEs are interested in is the logistics policy of the government. Therefore, the government should give support that SMEs are interested in so that it will not waste its budget.

The problems and obstacles that the company faces is shipment to Bangkok or other provinces, which costs a lot and the 300 baht minimum wage policy, which causes many companies to move their factories to the neighboring countries. However, Porntip company is not affected by the policy because its employees receive wages higher than 300 baht. However, it is indirectly affected from it, since the prices of materials increase more now.

The concerns the company has is about the factory employees since other jobs than factory jobs are preferred by the labors. As a result, the shortage of the company's labor is the main concern since the company hires only Thai labors. This limits its choice.

5) Ways to Solve Problems, Obstacles, and Concerns

The company plans to export more goods in the future since the main market now or 90% is in Thailand. Most customers are tourists. It focuses on the customers than the policy. It needs government supports, such as, tax promotion,

logistics, and other policies that facilitate SMEs businesses. The company mainly relies on itself and focuses solely on advancing strategies.

Regarding the labor, the company focuses on maintaining the employees, treating them as family members so that they can work with efficiency and help the organization to grow, and meet the international standard. The main target of the company is to make the company be the employee's "big second home" (Piamwiwatkul, 2014). Although the political situation may cause some concerns, it will not directly affect to the company.

6) Ways to Manage the Business to Enter the AEC

The company has a way to run its SME business to prepare itself to enter the AEC. It plans to export 10% of the Khaosan fish products to Singapore and Malaysia, chili paste to Australia, chili paste and shrimp stick to Hong Kong. It also plans to expand its business to China, Japan and the U.S.A., and Middle East. In the country the company focuses on modern trade supermarkets and showrooms as outlet. Although it aims to export more to Singapore and Malaysia, the company has not got the licensing, franchise and investment yet.

For expanding the manufacturing base to other countries, such as, Japan, the BOI has helped the company to get funding to go to Hong Kong, Australia, U.S.A. and east Africa. It also adapts "the King's sufficiency economy theory in order to make a sustainable business" (Piamwiwatkul, 2014).

7) Recommendations

(1) Recommendations for general SMEs' entrepreneurs

General SMEs' entrepreneurs need advancing strategies in order to be competitive and innovations to make the difference. The company has a sufficiency economy learning center to help spread the theory by focusing on: 1) Man, as the valued resource, needs to be developed so that they will gain knowledge, happiness, and security, 2) the use of geosocial to add value to the economy so that the organization will be successful has the immunity by sharing among the consumers, entrepreneurs, and communities, 3) Technology and knowledge needed to be applied in management, manufacture, and service of the company to help the company grow.

(2) Recommendations for strategies and other recommendations

The government should spread out the information and news about the policy and plans to promote the SMEs directly and indirectly. The government should hire experts to provide knowledge to SMEs about accessing financial support. Safety and standards should be encouraged in businesses as well as the coordination between the public and the private sectors. The taste is secondarily taken in order to satisfy customers. The public needs to work with the private sectors to address problems, to apply tools most efficiently and to better coordinate with one another.

5.1.2 Siam Southern Food Line Company Ltd.

Siam Southern Food Line Company Ltd. is an SME in the fishery industry of food industry. The detailed findings are as follows:

1) Business History and Development

Siam Southern Food Line Company Ltd. led by Mr. Naruchai Pholsin, the chairman, manufactures fish products and local souvenirs in Phuket province. Its vision is “being honest and sincere to the customers by making all food as if for its own family. The goods must be safe and the customers must be confident in the goods because they meet international standard of quality” (Pholsin, 2014). The company is a small enterprise with 50 employees. It started off as a family business in 2002 and was registered as a Siam Southern Food Line Company Ltd. Its brand is “Korntong”. Which means the gold hand in cooking.

Siam Southern Food Line Company Ltd. was first begun by the grandmother of Mr. Naruchai Pholsin or Mother Juu in Sapum, Phuket Province 20 years ago by selling food cooked she herself cooked. Later on, the business focused on selling dry fishery products, such as the famous Shrimp stick chili paste, Lemon grass chili paste, and Ching Chang fish.

In 2003, the company’s products were chosen as OTOP Product Champion (OPC) with 22 5-star products, the first in Phuket that were selected under the slogan “good stuffs, taste good, original from Phuket.” The company was proud to be the first to produce the fish products, especially Shrimp stick chili paste. (Pholsin, 2014). The company has a store located in a 6-rai area in Ban Sipon, A. Thalung with

20 million baht investment. The products were certified by the GMP, HACCP, and HALAL manufactured 50 tons a year.

The company has over 70 chili pastes products, such as Shrimp stick chili paste, lemon grass chili paste, 3-flavor chili paste, and other snacks such as seasoning shrimp stick, yum lemon grass shrimp stick, as Tai pla chili paste and some sweets. The company sell its products through the modern trade supermarkets such as Big C supermarket, Tesco Lotus, and other provincial stores all over Thailand. The company also exports the goods to Australia, Hong Kong, the U.S.A. and Kuwait with the aim to produce qualified and standardized goods in modern, clean, and safe packages using natural food.

The company has faced some problems but could overcome them. The major problem occurred after the tsunami in 2004 when the prices of fishery products increased so much that this affected the business cost. Also, some fish was harder to find such as Ching Chang fish and Khoa San fish. The company could not bear the financial burden, so it chose to close down the fishery Processing business and turn to the real-estate business instead “real-estate business is the choice of knowledge, expertise, and proper, to adapt the change, bring more benefit than processing seafood” (Pholsin, 2014).

2) Awards Received and Success Story

The company won a complementary SMEs National Award 2010 in from The Office of SMEs Promotion. It was the OTOP Product Champion (OPC) for 5-star products in 2003-2004. It was the only company that received such award from the Ministry of Interior.

The secret to success is to be “the company that is honest and sincere to the customers by making all food as if for its own family, the goods need to be safe and the customers need to be confident in the goods because the quality meet the international standard” (Pholsin, 2014).

3) Management

(1) Leadership

Entrepreneurs as leaders in the business have to run the business themselves, and the change in organizations depends on the leaders, their vision and

goals. Communication to lower employees is important as well as the participation in the organization of every employee and stakeholder.

(2) Strategic Planning

The company sets strategies and carries out the business plan focusing on the quality of the products to meet the need of the customers and on building a good relationship with customer to publicize the products. The business plan aims to improve the personnel so that they can implement the plan efficiently and encourage employees to work as a team.

(3) Customer and Market Focus

Marketing and customers are the main focus of the company. The company set specific marketing goals and build a good relationship with customers in order to increase the latter's loyalty to the products. The company believes in honesty and fairness, and respects customers. The company recognizes the importance of the brand and the copyright, so it has tried to create a unique brand and a good image to the company, including sharing information with business allies. "It does not consider other companies as enemies but as stimuli to improve the business" (Pholsin, 2014).

(4) Measurement, Analysis and Knowledge Management

The company assesses the performance and analyzes it in order to improve, follow up, and review the performance regularly. The company uses the data management system to communicate important information with employees and provides a knowledge changing system, which is vital for the business.

(5) Human Resource Focus

The company organizes training on various topics that concern the work processes and manufacturing standards. It is very open to the employees' opinions and participation in order to help improve the organization and promote the branding.

(6) Process Management

The process management information and the marketing information are combined to use in creating new products and services and manufacturing processes. The company has both internal and external evaluation and measurement systems using the examination from the employees, the third party, and customers. The company also has a quality control system.

(7) Results

The company is concerned about the image of the company. It cares about HR, processes, products, customers, marketing, and finance and how it governs. It focuses on the growth, profitability, and survival of the company. In order to make profits, the company wants to have “reasonable survival” (Pholsin, 2014).

(8) Food Manufacturing Standards

The company is certified with GMP, HACCP, and HALAL.

(9) Food Safety

The company has been accredited for Food and drug. It has passed the poison detection test in food and materials.

4) Issues, Problems, Obstacles, and Concerns

(1) The problem about branding. Since the company has changed the brand to Korntong, it needs to advertise the new brand to the customers. It has joined the food expo every year to increase the recognition of the brand for its quality, safety, and service. This costs a lot of money and the brand and products are at risk of being copied.

(2) Logistics problems: Since the company is located in Phuket, the shipment of goods to Bangkok costs a lot and there is a risk of cause damages.

(3) Labor problem: Since the work is hard and needs patience there is shortage of labors and the company needs to rely on Burmese labors.

(4) The supermarkets take advantages of the company by requesting high fees to put goods for sale. The fees are increasing each year with the restriction from the supermarket not to increase the price and the company has to wait 45-60 days to get cash back for the goods which cause interruption in the cash flow.

(5) Some government agencies are corrupt. They demand money as bribery from the company. The government acts as policeman instead of a helper to the business.

(6) The change in politics affects the change in policy “the bureaucrats go with the flow of the politics, which harms the people’s interests” (Pholsin, 2014).

(7) The problem about access to funds. It is hard for SMEs to get credit from the bank since they lack collaterals. Although the government provides funds, the funds have not been used to meet the need of SMEs.

(8) Natural problem: In 2004 when the tsunami hit Thailand, the prosperity of the sea was gone. Since the materials are from the sea, the prices for fishery products has gone high, so the company risks itself from the uncontrollable changes in nature.

The 300 baht minimum wage has been an obstacle for the company because it increases the cost. However, the policy to reduce tax benefits SMEs.

The concerns about the AEC is that many SMEs are not ready for the change. “After joining the AEC, the entrepreneurs that are not ready and have the problem about laws and regulations may not survive” (Pholsin, 2014).

5) Ways to Solve Problems, Obstacles, and Concerns

The company has hired an advertising and marketing company to publicize the product continuously so that the brand will be well known among the customers. The company tried to find ways to solve the logistics problem by shipping through the plane with the help from the government policy on reducing shipping fee for OTOP products. To solve the labor problem, the company has organized trainings courses so that the employees will know how to follow the regulations of the factory. With regard to the supermarkets, the company has requested the supermarkets for exemption of the entrance fees for the products selling in the supermarkets. So the company learns to review what happened then analyzed and solved the problems, depending on the changing environment. However, it still needs coaching from the public agency.

6) Ways to Manage the Business to Enter the AEC

The company has ways to run its SME business to enter the AEC. It exports 10% to countries such as Hong Kong, Australia, U.S.A. and Kuwait. Apart from selling the products in the modern trade supermarkets in Thailand, it also has showrooms of its products. Moreover, it is not ready to get licensing franchise and to make investment in many parts of the country.

7) Recommendations

(1) Recommendations for General SMEs' Entrepreneurs

General SMEs need to pay attention to natural disasters and outside factors. Learning to evaluate the risk is very important to the business. The company needs to look for the business that can replace the current one and assess its SWOT.

Brand loyalty is the thing that will add value to the products. Moreover, the company needs to manage its human resource wisely. It needs to find efficient methods in recruiting, selecting, maintaining, training and motivating the employees. Selling the products in supermarkets is like a time bomb because a weak business will not be able to endure the rising cost and has to close down the business.

“In doing the business, the company needs to be sincere, self-reliant, and dare to take risks and invest. A good idea without action cannot bring success because that idea in the brain will disappear. We should not worry about investment because the government has helped us with it, but we have to create products, add values, and create innovations, avoiding fabricating other people. We need to go through hardships, learn from them, solve them, and the success will be in reach” (Pholsin, 2014).

(2) Recommendations for Strategies and Other Recommendations

The government needs to support SMEs with focus on branding and on giving the SMEs knowledge about logo or symbol. The brand or name or term or symbol or design need to be unique, different from the competitors (Kotler and Armstrong, 1999). SME entrepreneurs need to be taught how to build a mind map and improve management. The government must be a source of knowledge, not just a source of funding.

The government must divide SMEs into groups based on their potential so that it will know how to support these SMEs. The food industry must focus on standards, safety, and taste. The public and the private sectors should work hand in hand in serving the people with service mindedness and should be fair to everyone without corruption.

5.1.3 Tia Ngee Hieng (Chao Sua) Company Ltd.

Tia Ngee Hieng (Chao Sua) Company Ltd. is an SME in livestock industry of food industry. The detailed findings are as follows:

1) Business History and Development

Tia Ngee Hieng (Chao Sua) Company Ltd., is now managed by Mr. Thanapat Morin, the chairman (the second generation) and the third generation, Ms. Napat Morin as marketing director, Ms. Intuorn Morin as finance director, and Ms.

Chanita Morin as HR director. It has the vision that “the company is not doing business for today but for the next ten years with quality and honesty and seek to always improve itself” (Morin, 2014). The company is a medium enterprise with 200-300 employees. It started in 1958 by Mr. Perm Morin who used to be an employee in China town. There he learnt how to cook Chinese food, before he moved to Nakhonrachasima to produce such products as sliced pork and shredded pork. He started the brand Chao Sua (Tia Ngee Hieng) with the help of Mr. Thanapat Morin.

Then the company delivered the pork products to sell in Bangkok. Later in 1973, the company bought a building in Nakhonrachasima province to sell its products and built a factory next to it. The company developed the “3-star twin axes” brand with a slogan “Tia Ngee Hieng meaning the best souvenir from Korat-delicious, and pleasant to those received”. In 1983 it received a certificate of deliciousness approval from “Shell Shuan Shim” by M.R. Thanadsri Sawatdiwat.

In 1996, the company was registered under the name Tia Ngee Hieng (Chao Sua) with its rebranding to “Khao Tung Chao Sua”. It exports shredded pork and sliced pork to other countries. The company built its own store in 2002 and named it “Chao Sua Center”, and a new factory in 2006. It is certified with GMP, HACCP, and Halal. Nowadays, the company sells 5 products: Khow Tung, sweat pork sausage, shredded pork box, and grains.

At present, Tia Ngee Hieng (Chao Sua) company Ltd. has over 500 items sold in its store and its products are sold in over 80 stores, super markets, e.g. Siam Paragon, Tesco Lotus, 7-eleven. Its products are also exported to China, Hong Kong, Taiwan, Australia, Singapore, Malaysia, the Philippines, and Indonesia. The packaging is designed to be modern and research has been constantly done to improve the products and to meet the need of the customers. The new slogan is “Value For Any Occasion” meaning that this is a souvenir suitable for the loved ones in every occasion. “Although we started with pork, the company produces various products including grain, snack, chili paste to expand wider range of customers. Mr. Thanapat Morin also focuses on the reputation of his 30-year trademark. Every package has company name and contact number.” (Morin, 2014)

2) Awards Received and Success Story

The company won complementary SMEs National Awards in 2009 from the Office of SMEs Promotion.

It also won Prime Minister's Export Award 2009: Thai-Owned Brand from the Ministry of Commerce, the Logistics Efficiency Award in the north eastern from the Ministry of Industry region in 2012, and Industrial Supply Chain Efficiency Improvement: ISCEI from the Ministry of Industry in 2013.

The secret to success is "a strong determination in what it is doing, paying attention to the manufacturing process, materials, and improving human resource. The company focuses on the need of the customers. It is sincere and honest to the customers. It tries to add value, and create innovation by learning and adapting to change". (Morin, 2014)

3) Management

(1) Leadership

Executives and leaders have clear vision and goals to run businesses, and they communicate well to the employees. They follow up and review the performance and make adjustments to suit the situation. Executives have power to make decisions for the flexibility of the organizational management with the support from the needed resources by focusing on safety, work environment, and care for the community and the society.

(2) Strategic Planning

The strategic planning targets on the quality of the products and services rendered to the customers. The company seeks to improve its technology and products and build a chance for new markets for the future of the organization. It seeks to develop the employees to have capability to support the business efficiently, "the business policy and plan of the company focus on not only quality but also the management system, manufacturing processes, and international standards, such as GAP, HACCP, and HALAL. The company is seeking to get ISO certification and aims to develop the human resource to improve the potential of the company" (Morin, 2014).

(3) Customer and Market Focus

The company is determined to find out the needs and expectations of the different groups of customers, with the purpose of improving, developing, and presenting the products that suit the customers. The company seeks to build a good image and its own brand, including expanding its market so that it can be competitive

“In expanding the market, the company focuses on selling at the modern trade markets. The company needs to analyze this channel continuously. After studying the behaviour of the customers it realized that convenience is something the consumers want so the products are placed in supermarkets close to the customers” (Morin, 2014)

(4) Measurement, Analysis and Knowledge Management

Evaluation and performance data has been analyzed in order to improve the company frequently. Financial information needs to be managed correctly using the accounting principles of examining, following up, and reviewing information before making decisions by the executives. The ICT system is used among the employees. “Bringing technology and ICT to the company is very significant to improve the company” (Morin, 2014).

(5) Human Resource Focus

The company clearly determines the roles and responsibilities and organizes training to improve the employees’s knowledge and skills in accordance with the work process, including treating employees as a part of the company, giving them a chance to voice their opinion and to work as a team.

(6) Process Management

The company has the marketing plan to control the manufacturing and servicing processes. The company has clear procedures and makes sure the environment and community is protected, including reducing the risks from natural disasters and from internal and external economic situations. The company is flexible enough to adapt to changes.

(7) Results

The company never stops improving in areas such as human resource, performance procedure, customer, governing, marketing, and finance. The company wants to survive, grow, and make profits. Therefore, the company seeks to meet the needs of the customers. “The company will not consider itself the center of everything when creating new products or markets, but will consider the need of the customers first and see if the company can meet the need or not” (Morin, 2014).

(8) Food Manufacturing Standards

The company is certified with GMP, HACCP, and HALAL.

(9) Food Safety

The company has been accredited for Food and drug. It has also been accredited for detect poison in food and materials.

4) Issues, Problems, Obstacles, and Concerns

SMEs entrepreneurs need to improve themselves in accordance with the policy so that they can benefit more. The government's policy should promote SMEs in every area of the country.

The problems and obstacles are that the government agencies lack coordination, so the SMEs entrepreneurs need to contact many different agencies, creating redundancy which is not good for SMEs business.

The concern is political instability which drags the economic development and decrease the consuming rate because the customers to feel uncertain about the situation.

5) Ways to Solve Problems, Obstacles, and Concerns

The ways the company seek to solve the problems are that the company produces products to sell in other countries and is flexible to cope with the situations. It evaluates the world economic environment and expands to the new market. "Just like what Mr. Thanapat Morin said, the company is not for today but for the next ten years, so it needs to think of the quality and honesty without ceasing. So Mr. Thanapat has imported the modern machine from Germany even though the machine in China is cheaper. The company invests for the future to meet the need of the customers" (Morin, 2014).

6) Ways to Manage the Business to Enter the AEC

The company exports 20% of its products to China, Hong Kong, Taiwan, Australia, Singapore, Malaysia, Philippines, and Indonesia, the exported products are Khao Tung shredded pork and grains. Moreover, the company plans to export Halal goods to Europe and the Middle East as well as selling at modern trade centers, at gas stations, convenient stores, and showroom. It seeks to get licensing, franchise and more investment following "the King's sufficiency economy theory by knowing where the company is, which way it should go to be sustainable". (Morin, 2014)

7) Recommendations

(1) Recommendations for General SMEs' Entrepreneurs

Most SMEs entrepreneurs possess entrepreneurship so they are able to compete and seek for more opportunities. However, they need to continuously study and analyze the tastes and trend of the consumers to adapt to changes and the needs of the customers. The performance process in the company needs to be adjusted to the changing environment and the company needs to focus on building a unique brand, logo, taste, and package. New market channels are very vital including keep the standard and being accepted.

(2) Recommendations for Strategies and Other recommendations

The government should promote the use of ICT, science, and innovation to improve the quality of the goods and services. In food industry, the international standard, quality, safety, and taste are very essential. So the government agencies must cooperate with each other and SMEs. Public seminars should be organized to exchange knowledge, information, opinions, and problems and to understand the issues and concerns of the SMEs so the policy can be formulated with the participation from SMEs themselves.

5.1.4 Sunshine International Company Ltd.

Sunshine International Company Ltd. is an SME in food industry that manufactures canned and processed fruit and vegetable product. The detailed findings are as follows:

1) Business History and Development

Sunshine International Company Ltd. led by Mr. Alan Liu, a chairman, is a manufacturing fruit business with vision that “the company focuses on the value added to the agriculture products, especially Thai fruits by using preserving innovation and on exporting the goods to other countries, which will help farmers to gain more income and help Thai fruits to be well-known” (Liu, 2014). The company is a medium-sized enterprise with 200-400 employees. It can become a larger enterprise in the future. In the beginning, the Sunshine International Company Ltd. manufacture frozen fruits to other countries with limited labors and it was located close to the airport.

Sunshine International Company Ltd. was founded in 1992 with the capital of 60 billion baht. Its headquarter is located in Pathumthani Province which is an area where fruits are produced, such as durian, mangosteen, coconut, rambutan, orange, and pomelo. The company sells the products to many countries, with durians as the most sold fruit products. Later in 1998, the company created the website (www.sunshine.co.th) for the customers worldwide to access. It also built the 14,400 sq.m. factory in Chantaburi Province to meet the need of the customers, the company also built an air blast room, installed the shock freezing air blast system with -45 degree Celsius and a cold storage room to stock 200 tons of goods. The company produced frozen durian, frozen durian flesh, frozen mangosteen, frozen mango, frozen rambutan. The company is certified with GMP, HACCP, HALAL and ISO 9001-2008. The company seeks to improve the business continuously by installing the Enterprise Resource Planning system (ERP) and the Systems, Applications and Products in Data Processing (SAP) in order to improve the management efficiency.

In 2002, the company imported and installed the first Vacuum Freeze Drying Machine to help preserve fruit so that the taste will not change. The vision of the company is to “be sincere, attentive to the business, making decisions by using innovation and know-how in order to find opportunities to overcome the competitors and see the market differently” (Liu, 2014) In 2004, the company expanded so rapidly that it build two more cold storage rooms and installed the Individual Quick Freeze Machine (IQF) and purchased 2 more Vacuum Freeze Drying Machines.

Nowadays, Sunshine International Company Ltd. manufactures 7 products with different brands such as Fruit King and Tete and sold to modern trade supermarkets and leading malls such as Siam Paragon, The Emporium, Goutmet Market, Central, Isetan, The Mall, Foodland, Top Supermarket, Tesco Lotus, UFM Fujisuper, and S. Khonkaen, and Lemon Farm. These products are exported to Asia (China, Hong Kong, Indonesia, South Korea, Malaysia, Singapore, and Taiwan) and to North America (Canada and U.S.A.), to Ociania (Australia and New Zealand), to Europe (England) and to the Middle East, and to India.

The factory is located in Chantaburi province, which is rich with fruits. The company has the potential staff who care and work hard with the latest modern technologies to develop the best products to meet the need of the customers. Its

franchised company is in China-Global International Trading (Shianhai) Ltd. and in Taiwan-Formosa Sun Shine International Ltd. so the company can distribute the products easily and efficiently. “This is a right business which brings pride to Thailand and the SMEs business” (Liu, 2014).

2) Award Received and Success Story

The company won the SMEs National Award in 2010 and in 2012 in excellent SME granted by The Office of the SMEs Promotion; the Prime Minister’s Industry Award 2013 from the Ministry of Industry; the Prime Minister’s Export Award 2004: Thai-Owned Brand from the Ministry of Commerce, The 7th Outstanding Overseas Taiwanese SMEs Award 2005, and the Model of Overseas Entrepreneurs Award 2005 from Taiwan.

The secret to the success is “that the successful work is done by coordination and team work. The safety of personnel and the equality at work is promoted in order to achieve both efficiency and effectiveness” (Liu, 2014).

3) Management

(1) Leadership

The leader has clear goals and clearly communicates them to the employees. The company has transparency, follow up, and review the goals in order to suit the changing situations and to be flexible in managing the organization. The employees attend On the Job Training (OJT) as a team to learn and improve themselves and always keep up with know-how. The entrepreneurs need to participate in motivating the employees to work, and realize the importance of the environment, communities, and regions. Social responsibility is promoted. “The good leaders learn from the beginning from choosing the type of business, develop its human resources, processes, and value added in the market relying on 3G: Good people, Good process, and Good product” (Liu, 2014).

(2) Strategic Planning

The organization constructs strategic plans that covers all the process, then review and improve them to achieve the goals. The strategic plans focus on creating, learning, adapting, and developing human resources to have full potential to support the business plans efficiently in order to reduce the cost to become more competitive and to have innovative products that are safe. The company

shows that it cares about the environment and is ready to develop new technology, IT, knowledge, information, innovation, new service, and new opportunities for the new market for the sustainability of the organization and for the benefit of the society.

(3) Customer and Market Focus

The company has methods and ways to listen to the customers and identify the satisfaction by defining how to perceive, observe, and manage information, and follow up and review the customers need and expectations and to build a good relationship with them to increase loyalty to the brand. The company also focuses on R&D, especially in value added to the products in order to be competitive and keep the loyalty of the consumers.

(4) Measurement, Analysis, and Knowledge Management

The company assesses, analyzes performance, and develops it and solve problems. Improvement of the performance has been made by examining, following up, and reviewing the operation continuously. The modern system to manage information is applied by using hardware and software ready to work to communicate the information to the employees, to collect information needed for the business, and to exchange vital knowledge to increase the efficiency and effectiveness of the organization.

(5) Human Resource Focus

The company defines the roles and responsibilities clearly and organizes training to improve the employees in accordance with the work process, including treating employees as part of the company, giving them a chance to voice their opinions and to work as a team.

(6) Process Management

The company uses the Enterprise Resource Planning (ERP) and Systems, the Applications and Products in Data Processing (SAP) programs to increase manufacturing and management efficiency by regularly examining both inside and outside the organization, and planning and controlling the manufacturing processes and service including inventing new technology to support the work system and to be ready for any emergency that may affect the manufacturing and service processes, and the neighboring communities.

(7) Results

The company has efficient staff who are attentive and work to improve the company and to develop the qualified, innovative, reliable, standardized products. All the systems are integrated such as HR, processes, performance, customers, governing, marketing and finance. It focuses respectively on the growth, survival, and profitability of the company, respectively. If the company chooses the right business in the right environment, improves its human resource and teamwork, promote eco-friendly campaign, the business will survive.

(8) Food Manufacturing Standards

The company is certified with GMP, HACCP, and HALAL and ISO 9001-2008.

(9) Food Safety

The company has been accredited for the Food and drug. It has also been accredited for food safety, and poisonous substance approval.

4) Issues, Problems, Obstacles, and Concerns

The company relies mainly on itself, not on the government. Because of the change in politics, technology, ICT, and electronic media and the healthy trend, the SMEs have to adjust themselves to these changes.

Regarding the problem and obstacles, the political instability of the politics affected the demand from the customers. The 300 baht minimum wage affected the company in the beginning but the company has been able to adjust itself and supported the policy to motivate the employees to improve their skills. The government should support SMEs in various areas, such as improving labor's skill and increase their efficiency.

Regarding the concerns about the AEC, the company fears that goods and products inferior to Thai goods will flow in and may harm the customers here in Thailand. Even though the free market allows the company to expand to other countries in the AEC but because of the complicated laws and regulations, running businesses outside Thailand will not be easy.

5) Ways to Solve Problems, Obstacles, and Concerns

To solve the problems, the SMEs need to analyze and observe the situation and prepare themselves well to enter the AEC. The company aims to export

its goods to potential markets in and outside the country. It will export not over 30% of its products to reduce the risk.

6) Ways to Manage the Business to Enter the AEC

The way the company prepare itself for the AEC is to export 50% to Asia [China (fruits and frozen fruits), Hong Kong (fruits, frozen fruits, and durian, mutton), Indonesia (longan, mutton), South Korea (durian and mutton), Malaysia, Singapore, and Taiwan] and export freeze dry fruits to North America: (Canada and U.S.A.), to Oceania (Australia, New Zealand), and to Europe (England), to the Middle East, and to India. However, to reduce the risk from internal stability, the company will not export more than 30% of its goods. The distribution channels are leading malls and supermarkets all over Thailand and seek to get franchise licensing to invest in material source in the AEC, especially in Myanmar.

7) Recommendations

(1) Recommendations for General SMEs' Entrepreneurs

SMEs that started the business by themselves must accept the risks and seek to improve themselves. They must be creative in order to be competitive. It must build network to get access to information, and to help strengthen the potential to compete at the international level.

(2) Recommendations for sStrategies and Other Recommendations

The government should promote research and development more so that SMEs can benefit from it. There should be an agency or scholars to give knowledge on R&D to SMEs all over the country. The government should help improve the ability of entrepreneurs and the potential of the personnel and factory workers to reduce the cost and add value to the products in order to be ready to compete. The food industry should focus on quality standard and taste to satisfy the consumers.

SMEs should be divided into groups according to their performance so that the strong SMEs can help teach and strengthen the weak ones. SMEs can also learn from each other's success. "The successful SMEs desire to help others but the government need to facilitate us so that the cooperative network can be organized. The valuable information the government has should be sent to SMEs and there should be an agency that is not a stakeholder to promote the SMEs seriously" (Liu, 2014).

5.1.5 Fruit Tech Company Ltd.

Fruit Tech Company Ltd. is an SME in food industry, that manufactures canned and processed fruit and vegetable product. The detailed findings are as follows:

1) Business History and Development

Fruit Tech Company Ltd. led by Mr. Kriengsak Udomsin, the chairman, is a manufacturing business with the vision that “the company will not cease developing the products and factory by recognizing the importance of the environment and building business allies” (Udomsin, 2014). The company is a small enterprise with 45 employees. It is located in Prachinbusi province in a 20 rai garden called “Jitniyom orchard”.

Jitniyom orchard has been taken care of for 3 generations now. The first generation is Mr. Jinda Udomsin, the founder. The second generation is Mr. Somporn Udomsin, who went through all difficulties. The third generation is Mr. Kriengsak Udomsin, who developed the business with the 50 rai farm and got into the vacuum fried fruit factory which was the vacuum fried method to preserve fruits.

Fruit Tech Company Ltd. was founded in 2003 in Prachinburi Province. It applied SWOT analysis in the beginning of the business, and received help from the Agriculture Promotion Office in Srimahapho district and the Agriculture Office in Prachinburi Province. The orchard has become a tourist attraction, a youth learning center, an agriculture learning center for vacuum fried fruit production. The company is certified with GAP, GMP, and HACCP and is supported by the BOI to import more machines for the complete manufacturing processes.

Nowadays, Fruit Tech Company Ltd. produces many manufactured products such as banana, durian, mango, jack fruit, pineapple, longan, green roselle, and papaya under the D-Fresh brand to sell in modern trade supermarkets in the country such as Siam paragon, Tesco Lotus, and Big C supercenters. The products reach the international standards and are exported to China, Korea, Japan, Singapore and France. The factory is also open to tourists and students who want to learn how to do farming. The company has also organized the network of allies to support each other. “We do not need to start the business with money, but with vision to move forward, with love to learn new things. With experiences, diligence, and patience, then the success will come” (Udomsin, 2014).

2) Award Received and Success story

The Company Ltd. won complementary SMEs National Awards in 2010 from The Office of SMEs Promotion, the Prime Minister's Export Award in 2006: For Outstanding Export as OTOP Export Recognition from the Ministry of Commerce, the 5-star Excellence OTOP award in 2004 from the Ministry of Interior, the Excellence Agriculture in Organism Plants in 2012 from the Department of Agriculture, the Green Cycle Manufacturing Agriculture Award in 2012 from Ministry of Industry, and the Complete Industry Award as Counselors from Prachinburi Province in 2009.

The secret to success is to “learn, do the best, be steady, and care about the environment, seek support from others by building business allies” (Udomsin, 2014).

3) Management

(1) Leadership

The entrepreneurs or the leaders have vision and goals. They love the organization and the community, and seek to communicate to the employees for mutual understanding. The company cherish fairness and transparency. It follows up and reviews its operation in order to adapt to the changing situations. The leaders make decisions that will affect the flexibility of the organization. The resources of the business are found in the environment and the communities. The employees work honestly and sincerely and get involved in all the social and environmental activities. “The company is strong as the center and spread the strengths out to the communities and the regions” (Udomsin, 2014).

(2) Strategic Planning

The organization has set plans and implement them, including reviewing and adapting them to achieve the goals. The Strategic plans seek to build, educate, and upgrade the personnel to have a high ability and be honest in order to carry out the business plans with efficiency and to be ready to adjust to changes and to be responsible for the environment and the society.

(3) Customer and Market Focus

The company provides channels to listen to the satisfaction of the customers to improve the products. It perceives, observes, organizes, follows up and

reviews the information concerning the customers' need and expectations and improve the products to meet their needs.

(4) Measurement, Analysis and Knowledge Management

The company assesses, analyzes, and manage knowledge to develop its performance. The evaluation is used to identify ways to improve the operation. The general data, knowledge, ICT, financial data are managed in a way that they can be inspected.

(5) Human Resource Focus

The company clearly describes the roles and responsibilities and organizes the training to improve the employees in accordance with the work process, including treating them as a part of the company, giving them a chance to voice their opinions and to work as a team.

(6) Process Management

Although the company set the procedures but it does not cling to them. The procedures can be adjusted to cope with the situation. Planning and manufacturing systems specify procedures to follow. The processes have been adjusted continually. Opinions from everyone are listened in order to improve the manufacturing processes and to promote the local environment.

(7) Results

The company focuses on good governance so everyone is happy. It emphasizes the improvement of HR, processes, products, customer relations, management, marketing, and finance. It focuses on the survival, growth, and profitability of the company, respectively. The company aims for a little profit growth but emphasizes more on surviving and enhancing sustainable community.

(8) Food Processing Standards

The company is certified with GAP, GMP, and HACCP.

(9) Food Safety

The company has been accredited for the Food and drug. It has also been accredited and food safety.

4) Issues, Problems, Obstacles, and Concerns

The company runs the business with concerns about the society and environment and with the aim to be self-reliant, not relying on the government although following the government policy.

Political instability has caused the slowdown on the investment and consumption, which has affected the income of the company. The government agencies lack cooperation among them in promoting SMEs. It lacks the budget and continuity, so SMEs cannot truly benefit from the government's support.

The concerns about the AEC are the competition and the flow of service, products, investment, funds, labor, although there will be more than a chance to invest in other countries. So, the government need to improve the logistics system immediately to be prepared for the AEC, which will, in turn, help SMEs with a small fund to compete in the market.

5) Ways to Solve Problems, Obstacles, and Concerns

SMEs need to conduct SWOT analysis and prepare themselves for the AEC. The company will focus on exporting the products and spread the risks throughout the exported countries. They will cooperate with the public and the private sectors to adjust to changes that will happen to them.

6) Ways to Manage the Business to Enter the AEC

The company exports 50% of its products to China, Korea, Japan, Singapore, and France and to leading malls and supermarkets all over Thailand. It seeks to get franchise licensing to invest in the AEC since it lacks fund too.

7) Recommendations

(1) Recommendations for General SMEs' Entrepreneurs

SMEs that initiate a business should analyze the business in every aspect. The entrepreneurs need to do the SWOT Analysis and continue learning and improving the business with the creative ideas and being steadfast in performance. They must improve themselves to be more competitive with an optimistic view that the competitors are the allies that can share knowledge and can cooperate.

(2) Recommendations for Strategies and Other Recommendations

The government needs to give knowledge, help, support, and listen to the farmers to find ways to solve problems and promote agricultural products sold to the factory efficiently. The government should work together with the industry to support science and technology to manufacture farming goods efficiently. The government should improve the entrepreneurs' potential along with the potential of the factory workers in order to reduce the cost, to add value, and to be prepared to

compete at international level. The industry standards of safety need to be focused on and the food taste must meet the need of the customers. Opinions from all parties need to be heard by the government collaboration to advance together.

5.1.6 J.M. Food Industry Company Ltd.

J.M. Food Industry Company Ltd. is an SME in food industry that manufactures rice, cereal, flour, and instant food products.

1) Business History and Development

J.M. Food Industry Company Ltd. led by Mrs. Ratchada Khoprasert, the chairman, is the frozen food and sauce business with a vision, “to invent and bring the frozen food to the market with intention to produce good quality products and environment friendly packaging without chemicals for the customers both in Thailand and abroad” (Khoprasert, 2014). The company has 200 employees, which is considered medium enterprise.

Jitmas was founded in 1982. The name was derived from the family name. “Jitmas” comprises of two parts. Jit is from the last hane of family name, “Wattanawechwijit”. Mas stands for 5 people, including Mr. Lok, Mr. Prason, Mrs. Ratchada, Mrs. Somjit, and Mrs. Somjai. It is a family business of a Chinese woman who loves to cook. The company tried to produce canned fish but wasn’t successful, so the company changed to the frozen food business instead. Jitmas is the caterer and food seller which freezes food products for preservation.

In 1992, J.M. Food Industry Company Ltd. was founded with its own factory. “Jitmas was the first frozen food manufacture in Thailand, the products were not successful at first. Recently, the customers’ lifestyle has changed and the frozen food has become more popular because it suits the city lifestyle of the office workers” (Khoprasert, 2014). The company first launched the PSA group company and produced “Rama Curry Rice”. Later it created the “Jimas” brand targeting the customers who live in condominium. It manufactures freshly-prepared, chilled, frozen food and sauce. The company is certified with GMP, HACCP, HALAL and ISO 9001-2000.

J.M. Food Industry Company Ltd. sells its products at Top Supermarket, The Mall, and at hotels, restaurants, and catering businesses in Bangkok. It also

produces bakery under the Chef Box brand including providing on board catering on trains, cruises, and planes with the 15-year experience. Moreover, the company has exported the products to Sweden, Belgium, Finland, England, France, Germany, Canada, U.S.A., and Australia.

In spite of high competition, the company is ready to handle it by using know-how and R&D, such as studying materials to use in the new products and improve the taste. The company also coordinates with clustered businesses as allies to share knowledge and access cheap materials as well as improve manufacturing process. “The company is small, cannot compete with big businesses, so it focuses on taste and diversity of foods with uniqueness, the company also produces sauce. The customers love the food since it tastes as if it’s homemade food” (Khoprasert, 2014).

2) Award Received and Success Story

The company won complementary SMEs National Awards in 2010 from The Office of SMEs Promotion in 2010, OTOP Product Champion: OPC from the Ministry of Interior in 2006, Select Thai Food Award from the Ministry of Commerce in 2012, Food Standard Recognition Award from the Ministry of Health in 2014, Flood Restoration Business Award from the Food and Drug Administration in 2011, and Logistics Success Recognition Award from the Ministry of Energy in 2013.

The secret to the success is “to learn, improve, adapt, create, and be united in the organization. Everyone works together to get through the problems, obstacles, and crises and the organization creates allies in order to compete at the international level” (Khoprasert, 2014).

3) Management

(1) Leadership

The executives or the leaders have vision and goals. They love the organization, the community, and communicate to the employees for the mutual understanding. The company has a 3-5 year business plan. The company focuses on fairness, transparency, follow up, and review in order to adapt to the changing situation. The leaders make decisions that will affect the flexibility of the organization. The business resources support that are friendly to the environment and the communities. The company gives scholarships to the employee’s children and “seek to build the happiness at work and solve the problems and concerns with cooperation and with involvement of everyone” (Khoprasert, 2014).

(2) Strategic Planning

In spite of a 3-5 year strategic plan, the plan is adjusted each year to help the company to be more flexible to suit the change in the situation. The company follows up the performance procedures and review them for improvement in order to achieve the goals. It reduces the energy use in the manufacturing process in order to protect the environment and to show the responsibility to the communities. The company also focuses on R&D to create new products and services to serve the new market, including improving human resource to run the business efficiently.

(3) Customer and Market Focus

The company has some channels to listen to the customers and identify their satisfaction. It also finds some way to gain new customers and builds a good relationship with the customers through media with fairness.

(4) Measurement, Analysis and Knowledge Management

The company uses IT to assess, analyze, and manage knowledge, including developing performance. The evaluation is used to identify ways to improve the business in order to compete efficiently.

(5) Human Resource Focus

The company sets clear responsibility and roles for the personnel to meet the need of the business. It organizes training to improve the employees' knowledge and skills to suit the work process. There is a morning talk with the managers every week. The company determines the compensation and welfare that suit the employees. Complaint boxes are provided for the employees to share their opinions. The company treats the employees like family members, providing them with a kitchen, a television set, and a living room for all to enjoy.

(6) Process Management

The company receives data on marketing and uses it to discuss the market trend every day to help create new products and services and improve the manufacturing process constantly. The company also uses the Enterprise Resource Planning (ERP) system to manage resources and has a good system to take care of the place, tools, equipment used in the manufacturing and service process with the care for the environment.

(7) Results

The staff of the company often joins the meeting and discussion to learn, create, improve, solve, and develop the organization as a team. For example, the HR, the performance and products, customers, governing, marketing, and finance have been coordinated closely. The company focuses on the survival most, followed by growth, and profitability of the company. The company aims a little on its profit growth. It mainly aims to survive and encourage sustainable community with product quality that meets standard and safety.

(8) Food Processing Standards

The company is certified with GMP, HACCP, HALAL, and ISO 9001-2000.

(9) Food Safety

The company has been accredited for Safe food good health and food safety. It has also been accredited for Food and drug, and Quality control for hazardous substance-free food.

4) Issues, Problems, Obstacles, and Concerns

SMEs cannot access the needed information needed, and the government policy benefits only the large-scale enterprises, so the SMEs lack opportunities and have to rely on themselves. The government must find some method to help SMEs access to needed information.

The obstacle that the SMEs are facing now is access to information provided by the government. Most government budget has been allocated to help the large-scale businesses rather than SMEs. The 300 baht minimum wage policy causes increase in business cost. The rising energy and oil prices also affect the expense of the company.

The concern that the company has is that the government agencies lack collaboration and most government agencies work for themselves rather than serve private stakeholders or SMEs.

5) Ways to Solve Problems, Obstacles, and Concerns

The company has to rely on itself. It has to adjust itself to reduce the cost and to increase the productivity by providing training and promoting R&D. Though the government tries to help the company, the government agencies are not

experts, and they don't understand the business. For this reason, the company cannot follow their advice. So, the company uses its R&D department to do research, such as research on oil to cut the cost. Therefore, if the government provides support, it will benefit SMEs a lot.

6) Ways to Manage the Business to Enter the AEC

The company exports 60% of its products to Sweden, Belgium, Finland, England, France, Germany, Canada, the U.S.A., and Australia, and plans to expand its business to Korea and Japan. When the AEC is officially established in 2015, the company will do research in order to expand its market by targeting at major cities, including Chinese market, "The company once joined the Expo, has been interested in exporting goods to China. It needs to learn about the laws and regulations first. Even though Thai food is famous in China, the company needs to learn what kind of taste, meat, and what prices suit the need of the Chinese customers" (Khoprasert, 2014).

Besides selling goods at modern trade fairs and supermarkets, the company also provide products for on board catering on buses, trains, cruises, and planes. The company is trying to get licensing, franchise and to invest in order to expand the market and opportunities. "In running a business, we need to be interested in, learn, create, and develop our products for the market. The company needs to produce in large quantity and offer a reasonable price" (Khoprasert, 2014).

7) Recommendations

(1) Recommendations for General SMEs' Entrepreneurs

Most SMEs are capable of seeking new opportunities and adjust themselves to meet the need of the customers. The entrepreneurs should apply the sufficiency economy theory to bring about happiness, moderation, logical, and immunity under knowledge and integrity. SMEs must consider both internal and external factors, find allies to help each other in the business "we have to work with knowledge, creativity and development, find allies, and consider competitors as allies support each other" (Khoprasert, 2014).

(2) Recommendations for Strategies and Other Recommendations

The government should give information concerning its policy and plans and in-depth market information to SMEs. It must promote R&D more so that the SMEs can benefit from it. There should be an agency or scholars to give

knowledge on R&D all over the regions. In developing the entrepreneurs, the government should help improve the managerial ability of entrepreneurs and the potential of the personnel and factory workers to reduce the cost and add value to the products and to be ready to compete. The food industry should focus on safety standards and tastes to satisfy the consumers. The government should support SMEs to export to other countries. Both the public and the private sectors need to work together in formulating the policy and plans. They should find out SME problem and obstacles from SMEs themselves and use them in the future policy.

5.1.7 Xongdur Thai Organic Food Company Ltd.

Xongdur Thai Organic Food Company Ltd. is an SME in food industry that manufactures rice, cereal, flour, and instant food products. The detailed findings are as follows:

1) Business History and Development

Xongdur Thai Organic Food Company Ltd. led by Mrs. Suwanna Jiwattanapaiboon, the chairman, is run with the help of the second generation, Ms. Pakinee Jiwattanapaiboon, with a vision, “to be the leader in processed food and drinks made from organic and whole grains for better health and taste to suit the customers who take care of their health to apply the sufficiency economy theory and good governance to manage the company and to have integrity and honesty in conducting business to satisfy the customers and the employees” (Jiwattanapaiboon, 2014b). The company is a small enterprise with 50 employees. Xongdur Thai Organic Food Company Ltd. was founded in 2000 in Nonthaburi with the factory in Supanburi. The company was registered as a One Tambon One Product (OTOP), It was developed from the pharmacy store in the community with the aim to increase the potential of the local community. Xongdur grain drink is supplementary food for health. Xongdur means “the Organic grain products selected for health in one pack”, It has been in the SMEs business for 10 years with the vision, “Business with a small fund needs more wisdom” (Jiwattanapaiboon, 2014b).

In 2003, with the 2 year effort, the company launched Xongdur. Realizing that company needs to rely on itself, it applies the Sufficiency Economy theory with emphasis on integrity. “Sufficiency economy means living in nature.

Because we realize that it is good for health being healthy is to help a country” (Jiwattanapaiboon, 2014). In 2005, the company brought in machine for manufacturing process. With the limited budget, the company used the used machines which it adapted to suit the business. Later, the company can build its own machines to use in the drum dry process which reduces the cost and energy a lot.

The company produces organic grain products such as Grain drink, cereal bars for health, grain products for breakfast, sauces made from grain, supplementary food for kids, Xongdur gift sets, and Xongdur for kids. These products have met the international standards. The company uses innovation to produce organic grain products, using half of the syrup used in normal products. It adjusts the temperature by using Temp and Time profile so that the products will be durable. Because the company seeks to produce the products that are eco-friendly and good to the health of the customers, it is certified with GMP, HACCP, HALAL, and is also certified by International Federation of Organic Agriculture Movements (IFOAM) and Organic Agriculture standard from EU by inventing its own machines, ingredients and new technologies.

Nowadays, Xongdur Thai Organic Food Company Ltd. sells its goods at Bangjak gas stations, health products stores, bookstores, Bangkok co-operatives, and supermarkets cover all the leading malls such as Siam Paragon, The Emporium, The Mall, Top Supermarket Foodland, Villa Market, Tesco Lotus, Big C Supercenter, Golden Place, Lemon Farm, Baijak, Naiin, and 7-Eleven. The company also exports the products to Singapore, Malaysia, Hong Kong, Macau, China, Japan, Saudi Arabia, Chile, Nigeria, and Australia.

By seeking to increase knowledge, create innovation, provide training, observe, and adapt them in the business, the company crates the unique packaging that is colorful, outstanding and represents the brand. The company uses a universal design and Braille on the packages to help the blind because it believes in the importance of everyone in the society. So the products are valuable, “constant learning and development by thinking about everyone in the society, and eco-friendly, being moderate and self-reliant, attentive to the taste of the products, and makomg sure they are healthful, all of these will make the company prosper” (Jiwattanapaiboon, 2014a).

2) Award Received and Success Story

The company won the Second Place in The Royal Excellence Award for SMEs that adopts the Sufficiency Economy Theory from the Royal Projects Committee in 2010, a complementary SMEs National Awards in 2010 from the Office of SMEs Promotion, the Prime Minister's Industry Award from the Ministry of Industry in 2010, Innovation and Creative Industry Excellence Award from the Ministry of Industry in 2012, and the Prime Minister's Export Award (OTOP) from Ministry of Commerce in 2009.

The secret to success is “to improve ourselves continuously, continue learning, use the limited resources by recognizing the value, create a good image and innovation, do not go with the stream, but need to study related information and know the expertise of the company, along with studying the need of the consumers. Development is very vital. If there is a small amount of capital, wisdom is necessary for sustainable development” (Jiwattanapaiboon, 2014a; Jiwattanapaiboon, 2014b).

3) Management

(1) Leadership

The executives or the leaders have clear vision and goals and communicating them to the employees for mutual understanding. The company emphasizes fairness, transparency, follow up, and review in order to adapt to the changing situation. The leaders make decisions that will affect the flexibility of the organization. The business uses local resources, recognizes the importance of the environment and nearby communities, and Corporate Social Responsibility (CSR).

(2) Strategic Planning

Strategic planning is aimed to at the quality of products and services to meet the need of the customers. The company seeks to improve technology to develop new products and services and to create marketing opportunities. It promotes social equality and eco-friendly goods so that everybody in the society can benefit. The plan aims to develop the HR to accomplish the strategic plan efficiently. “The policy and the strategic plan of the company are set with responsibility to the society and the environment. The company also expands the marketing chance with integrity, morality, and sharing” (Jiwattanapaiboon, 2014b).

(3) Customer and Market Focus

The company has conducted studies to find out the customers' satisfaction and expectations and to find some ways meet the need of each group of customers. It learns to improve, develop, and present new products and services that suit the customers. It develops new businesses continuously as well as creates a good image and its own brand and packages that are unique and modern with universal design along with Braille on the packages. The company seek to expand market channels with integrity and moral to build the ability to compete constantly. "Because we want to grow and to create new things, we design the packages to show the image of the products. Most of our customers are 40 years old or more. These people who love to take care of their health. They love grain products. Modern packages will draw more groups of customers" (Jiwattanapaiboon, 2014a).

(4) Measurement, Analysis and Knowledge Management

The company appraises its performance in order to solve problems and to make improvement regularly. In the future, the company will manage financial data by using a modern accounting method. It will examine, follow up, and review information. ICT will be used to facilitate the work.

(5) Human Resource Focus

The company sets clear responsibility and roles for the personnel to meet the need of the business, including organizing training to improve the employees to suit with the work process. The company allows the employees to share their opinions in order to help improve the business performance and promote teamwork.

(6) Process Management

The company has a marketing process system to control the manufacturing and service along with clear work procedures. The company also uses a resource management system and a system to take care of the place, tools, and equipment used in the manufacturing and service processes with the care for the environment. It also prepares itself for any natural or economic crises which may be caused by internal and external factors. In short, the business is flexible and is ready for changes.

(7) Results

The company focuses on continuous improvement and adjustment and is ready to learn as well as to use the resources to its best. The company prepares

to have changes in HR, procedures, customers, products, governing, marketing, and finance. The company focuses on the survival, growth, and profitability of the company, respectively. It seeks to balance, to handle the changes and to survive with moral, integrity, social responsibility, and eco-friendliness.

(8) Food Processing Standards

The company is certified with GMP, HACCP, HALAL, and ISO 9001-2000. It has also been accredited by International Federation of Organic Agriculture Movements: IFOAM and Organic Agriculture standard from EU.

(9) Food Safety

The company has been accredited for Food and drug. It has also been accredited humidity and cultured germs test in terms of temperature and cleanliness.

4) Issues, Problems, Obstacles, and Concerns

Most SMEs learn to improve themselves and create trust in their brands both inside and outside the country. They try their best to support the government policy. The government should promote SMEs by making them access knowledge more easily to have an equal chance to improve themselves in every region in Thailand.

One obstacle that SMEs face concerning the AEC is intense competition now that foreign products, services, investment, fund, and labor can flow to Thailand, which may bring low-quality and cheaper products to Thailand. SMEs have to find some strategy to deal with this matter. The 300 baht minimum wage policy also causes the increase in business cost making the company increase its products' price by 20%, and this has caused a drop in its sale volume.

The concern of the company is that the government agencies lack coordination and most government agencies work for themselves rather than serve the private stakeholders or SMEs. In short, the officials do not serve the people and protect their benefits.

5) Ways to Solve Problems, Obstacles, and Concerns

To solve the problems, the company plan to expand the manufacture and produce goods to sell in the country and abroad. In doing this, the company needs to prepare for any change. The company plans to advertise its brand so that the image of the company will be well recognized at the international level. In addition, it will

build new factory to have enough supply of goods, thus being able to distribute them quickly and efficiently. “The knowledge exchange between the farmers and the consumers will enable the latter to learn about local wisdom so that they will help support Thai products” (Jiwattanapaibul, 2014b).

6) Ways to Manage the Business to Enter the AEC

The company exports 50% of its products to Singapore, Malaysia, Hong Kong, Macau, China, Japan, Saudi Arabia, Chile, Nigeria, and Australia. The main products are grain food and cereal bars for health, grain products for breakfast, sauces made from grain, supplementary food for kids, Xongdur gift sets, and Xongdur for kids. The goods are also sold at the modern trade department stores and convenient stores all over the country. However, the company is not ready to franchise the business or to invest abroad. It applies the Sufficiency Economy theory and will provide quality products for health.

7) Recommendations

(1) Recommendations for General SMEs' Entrepreneurs

Most SMEs entrepreneurs possess entrepreneurship so they are able compete and they always seek for opportunities. However, they need to learn and improve themselves continuously to adapt to changes and to the need of the customers. Many rely on the Sufficiency Economy theory, using the knowledge with integrity, moral, and logic so that they will be immuned and become self-reliant.

(2) Recommendations for Strategies and Other Recommendations

The government should promote SMEs to use local wisdom, ICT, scientific knowledge, and innovation to improve the quality of the goods and services, and to apply the Sufficiency Economy theory to do business. In food industry, the international standard, quality, safety, and taste are very important, the government agencies should cooperate with each other to promote SMEs in these aspects. Public seminars should be organized to exchange knowledge, information, and opinions, and discuss problems, issues and concerns of the SMEs so that the policy can be formulated with the participation of the SMEs themselves. “Running the business with a limited fund will create learning experience that suits the situation by exchanging knowledge and wisdom. The SMEs should not wait for an opportunity but must improve themselves by using available opportunities to be sustainable” (Jiwattanapaiboon, 2014b).

5.1.8 Nithi Foods Company Ltd.

Nithi Foods Company Ltd. is an SME in food industry that manufactures rice, cereal, flour, and instant food products. The detailed findings are as follows:

1) Business History and Development

Nithi Foods Company Ltd. led by Mr. Smith Taweelertnithi, the chairman, is the company that produces process food and spices. Its vision is to be “the leading company that manufactures spices that will make the customers think of it first, if they want to buy some. It will produce high quality, safe, healthy products that meet the need of the customers. The company applies the Sufficiency Economy theory and good governance with the aim to become the leading company in the industry. Realizing the risk in the business, it focuses on constant improvement of every department to be sustainable and be competitive at the international level” (Taweelertnithi, 2014). The company is a medium enterprise with 92 employees. Nithi Foods Company Ltd. was founded in Chiang Mai in 1998 with the capital of 47.5 million baht, It has been in the business for 20 years now. The first generation in the business is Mr. Kobchai Taweelertnithi and Mr. Surapol Taweelertnithi. Now, it is the second generation, Mr. Smith Taweelertnithi, that runs the business. The company produces spice products such as dried garlic, grounded garlic, grounded pepper, fried garlic, fried red onion, oil, Tom Yum sauce under the Bell Goods and Urban Farm brands. The main customers are those in the processed food industry.

In 1999, when Mr. Smith Taweelertnithi took over the family business, he uses the products from the factory to produce other food products, such as baked rice under the Urban Farm brand. The products for health, such as dried vegetables and dried grains, and sauce for famous dishes such as Tum Yum flavor for the new targeted customers who love convenience.

Then it produces baked rice with Tom Yum flavors and national innovative rice sauce. Baked rice is produced by the hot air technology, “Urban Farm Processing technique for producing is more or less the same as the noodle cup technique but the rice comes in 4 flavors and can be stored up to 2 years (Tom Yum, Green Curry, Curry, Mushroom Garlic) which are famous Thai favors” (Taweelertnithi, 2014). The factory is certified with GMP, HACCP, HALAL, and ISO 9001-2000, ISO 22000: 2005 and ISO 14001.

Since 2004 the company has used know-how technology and R&D to improve its products. The company is located 20 minutes from the airport in Chiang Mai. It offers inexpensive and good farm products that meet the need of the customers, as its sales volume has increased yearly. The company sells products in modern trade supermarkets, such as Siam Paragon, The Emporium, Central, The Mall, Gourmet Market, Top Supermarket, Foodland, Villa Market, Maxvalue, Tanghuaseng, and Rimping Supermarket. It also exports the products to Hong Kong and Macau.

Nithi Foods Company Ltd. Applies the Sufficiency Economy theory to run the business and seeks to grow continuously. “The most important thing in business is sufficiency, The King’s Sufficiency Economy theory can truly be applied. It is something the company been doing. We learn to be moderate, logical, and immune ourselves from business risks by using integrity and moral in business dealings as well as by being a good example to the society, helping them realize that our business is transparent and fair. So we can develop sustainable business” (Taweelertnithi, 2014).

2) Award Received and Success Story

The company soon the Royal Award for SMEs that Follows Sufficiency Economy theory from the Royal Project Committee from “80 years old of happiness” festival in 2007, a complementary SMEs National Awards in 2009 from the Office of SMEs Promotion, the Prime Minister’s Industry Award from Ministry of Industry 2008, the DIP 2011 Industrial Innovation Award from Department of Industry Promotion, the Ministry of Industry in 2011, the STI Thailand Awards on Green Innovation from National Science Technology and Innovation Policy Office in 2012, the Food Design Award from the Ministry of Science and Technology in 2011 and the Gold Medal Award for Safe Workplace from Ministry of Health in 2002 and 2004.

The secret for success is “evaluation and steady improvement, production of good quality and safe products to meet the need of the customers. The company seeks to improve technology, lower the manufacturing cost, and create innovation to be able to compete with its rivals and to be flexible in doing business. The goals of the company are to improve the organization, to look after the employees, and to be eco-friendly by applying the Sufficiency Economy theory so that it will be successful in the business” (Taweelertnithi, 2014).

3) Management

(1) Leadership

The executives and the leaders have clear vision and goals and communicate them to the employees for mutual understanding. The company emphasizes fairness, transparency, follow up, and review in order to adapt to the changing situation. The leaders make decisions that will affect the flexibility of the organization. The business uses resources in local areas, and gives importance to the environment, communities. It promotes employees' integrity and have them participate in social activities. "If we take good care of the communities, the communities will take care of the employees and the company; therefore, the company avoid producing bad effects that may cause anger to the communities. For example, it treats manufacturing waste, control noise pollution. It supports communities by giving scholarships to students and fund the health center" (Taweelertnithi, 2014).

(2) Strategic Planning

The company formulates strategic plans that focus on improving the organization and the employees, knowledge and skills, and communication with them for mutual understanding. The company always adapts itself to the changing situation by recognizing the importance of the environment and communities.

(3) Customer and Market Focus

The company has several channels to listen to the customers. It has tried to find out the customers' need and expectations to improve the products to meet their satisfaction. The company will to advertise the company and its products and build a good relationship with new customers while maintaining old customers.

(4) Measurement, Analysis and Knowledge Management

The company assesses, analyzes, and manages knowledge including performance. The evaluation is made to identify ways to improve the organization and the products. Information, knowledge, ICT, and financial data are managed in a way that they can be inspected.

(5) Human Resource Focus

The company describes the roles and responsibilities of the employees clearly and organizes the training to improve them in accordance with the work process. It treats employees as part of the company, giving them a chance to

voice their opinions and to work as a team. The company organizes a daily morning talk, so that the team can move in the same direction. It tries to create happiness and satisfaction at workplace.

(6) Process Management

The company has applied Sufficiency Economy theory to do business. It aims to build good corporate culture. It has a plan to procedures to improve the manufacturing process. The company listens to everybody's opinion. It develops the manufacturing and service processes along with conserving the environment.

(7) Results

The company and community people can live happily together. to share, rely on, and be stable by coordinating every aspect such as HR, the performance and products, customers, governing, marketing, and finance. The company focuses on survival, growth, and profitability of the company in that order. The company aims for its growth in profit but just a little, but aims to survive and sustain community so that they can rely on each other.

(8) Food Processing Standards

The company is certified with GMP, HACCP, HALAL, ISO 9001-2000, ISO 22000: 2005, and ISO 14001.

(9) Food Safety

The company has been accredited for Safe food good health. It has also been accredited for poison in spices examining system and Food and drug.

4) Issues, Problems, Obstacles, and Concerns

The company tries to balance the environment and the development. It doesn't rely much on the government, but learns and improve itself to support the government policy. The government should find some way to help SMEs in every region in Thailand to have an equal chance to access knowledge to improve themselves.

The problem and obstacle for SMEs to enter the AEC is intense competition now that foreign products, services, investment, funds, and labor can flow to Thailand, which may bring low-quality and cheaper products to Thailand especially cheaper unqualified labors. So SMEs have to find some strategy to handle

the situation. The concern the company has is that the government agencies lack and most government agencies work for themselves rather than serve private stakeholders or SMEs. There is discrimination in the government agencies. The officials do not serve and protect the benefit of the people.

Concerns on political instability has caused the slow down on the investment and consumption which has affected the earnings of the company. The government agencies lack coordination among in promoting SMEs. They lack budgets and continuity, so SMEs cannot benefit from the government support. SMEs also lack in-depth information, about competitors and consumers, as the government should provide SMEs with news and information.

5) Ways to Solve Problems, Obstacles, and Concerns

To solve the problems, the company has tried to adapt to the changing situation and rely more on itself. The company has developed some strategies and HR to be ready for competition and build a collaborative network to strengthen itself.

6) Ways to Manage the Business to Enter the AEC

The company exports 60% of its products to Hong Kong and Macau besides distributing its products to the modern trade supermarkets in Thailand and will expand to Indonesia, Phillipines, Vietnam, Taiwan, Chikna, and Japan. The company is still not ready to get licensing, franchise or investment to expand the market to other countries since it should build a network and does the feasibility study first.

7) Recommendations

(1) Recommendations for General SMEs' Entrepreneurs

Most SMEs have the ability to manage their businesses. They rely on themselves, planning everything by themselves on their own. They should apply the Sufficiency Economy theory to run business. They should learn to improve their performance. They should also give importance to the network. They should share knowledge, data, experiences, and resources. In addition, their business should benefit the society. "They should be moderate, logical, and ready for changes, which will make the organization successful and sustainably grow" (Taweelertnithi, 2014).

(2) Recommendations for Strategies and Other Recommendations

The government should promote SMEs by providing them with knowledge to improve the management and manufacturing. It should support them

with, technology and innovations so that the manufacturing of goods and services rendering can be more efficient. The government should develop a better logistics system to benefit the SMEs. The related government agencies need to cooperate with each other. Public seminars should be organized to exchange knowledge, information, opinions, and to know the problems faced by SMEs, so that the policy can be formulated with the participation of SMEs themselves.

5.2 General SMEs

This research studied general SMEs in food industry which are divided into 4 groups: 1) fishery products, 2) livestock products, 3) canned and processed fruit and vegetable products, and 4) rice, cereal, flour and instant food products. These SMEs are registered as corporate businesses.

5.2.1 Business History and Development

T.P. Foods Processing Company Ltd. led by Mr. Pak Rojanasumapong as chairman, is a fishery Processing business with vision that, “the company focuses on quality and safety of the manufacturing processes so the consumers can have qualified, fresh, and safe products, and on improving the company by using technology” (Rojanasumapong, 2014). The company has been in business for 20 years and having 3 subsidiaries: 1) Pitisakol fishery company, 2) P.T. Hong Yen company, 3) P.T. Foods Processing company. The company is a medium enterprise with 200-400 employees, It is certified with GMP, HACCP, HALAL and accredited by the Food and Drug Administration. It exports goods to Singapore, China, and the Middle East.

Chaicharern Marine (2002) Company Ltd. led by Mrs. Suphawadee Chokesakulnimit as chairman, is a fishery Processing business with the vision that, “the company will produce HALAL products to market in the AEC and China within 2015” (Chokesakulnimit, 2014). The company was founded in 1976 under the name the Pattanee Grounded Fish company, and the name was change to Chaicharern Marine (2002) company Ltd. in 2002. It has produced frozen grounded fish to meet the need of Surimi. The company is a medium enterprise with 200-400 employees. It is certified with GMP, HACCP, HALAL and ISO 22000: 2005 and also accredited by

the Food and Drug Administration. It exports to Singapore, China, Japan, Russia, and Bahrain.

I.B.F. Halal Food Company Ltd. led by Mrs. Duangjai Subpot as president Ms. Darin Subpot, daughter, works as a sales assistant manager and Mr. Chacrit Ismael works as a marketing assistant manager. The company sells processed livestock meat with a vision to “be a leader in HALAL food products and related products in Thailand”, (Subpot, 2014a). The company produces authentic HALAL food in every process. The factory is located close to the airport and ports so it can conveniently distribute the products, “the company has the freezers installed in many areas, so the products can reach the hands of the customers fresh” (Subpot, 2014b), “Its targets are the southern markets” (Ismael, 2014) with 100-150 employees. The company is certified with GMP, HACCP, HALAL, and accredited by the Food and Drug Administration. It exports to Myanmar.

Hitec Bio (Thailand) Company Ltd. led by Mrs. Onanong Wuttiyakornkul as a president, is a processed fruits and vegetables company with vision: “trust in safety and taste of nature” (Wuttiyakornkul, 2014). The company started its farming business in 1987 in Papao District, Chiang Rai. Later it does the organic farming to produce safe and healthy products. It uses the natural materials without chemicals in every manufacturing process. The company introduced new product as organic Longan tea. It is healthy and can heal Knee Arthrosis. Hitec Bio (Thailand) company Ltd., founded in 2000 is a small enterprise with 30-40 employees. It is certified with GAP, GMP, Organic Thailand’s Brand, Organic Framing from EU, and is accredited by Food and drug Administration. It has also been accredited for Food safety. It exports to Austria.

Thai Rich Foods Group Company Ltd. led by Mrs. Tawan Boonritlukana as a president, is a processed food company with vision: “the company focuses on quality, reasonable prices, and honesty to the customers, and on being the leader in the international market” (Boonritlukana, 2014). The company started with producing frozen Thai desserts. The inspiration came from the factor that the company owners noticed that Thai dessert leftover from the selling became waste so it needs preservation. Thai Rich Foods Group company Ltd. was registered in 2006. It built its factory in Phatumthani province to produce goods to sell in Thailand and other

countries so that foreigners will know Thai desserts. The company manufactures rice noodles with coconut cream by using mechanism power to meet the need of the new lifestyle, it invented rice noodles to reduce energy with less coconut milk and calories for those who love healthy lifestyle. The company is a small enterprise with 50 employees. It is certified with GMP, HACCP, HALAL, and ISO 22000: 2005 and is accredited by The Food and Drug Administration. It exports to Myanmar and Cambodia.

5.2.2 Issues, Problems, Obstacles, and Concerns

Entrepreneurs want to improve SMEs in order to get more benefit. The following are the issues, problems, obstacles, and concerns.

The dynamic forces, especially technology and ICT, have contributed to rapid economic growth. So when the economy is good, the consumers consume more and SMEs grow. The political instability, however, affects the confidence of consumers, investors, and tourists (Ismael, 2014; Subpot, 2014a; Subpot, 2014b). It has greatly affected SMEs businesses. One way for SMEs to survive is to use social networks which draw people close together as a tool to promote marketing (Chokesakulnimit, 2014; Rojanasumapong, 2014). As well, ICT should be employed to promote safe and healthy Thai food which will attract more customers in the Western countries (Boonritlukana, 2014; Wuttiyakornkul, 2014). Thailand is located in a perfect location where the environment, climate, landscape is perfect for SMEs' growth.

The uniqueness of the Thai landscapes, cultures and arts of local communities. The rise of E-Business networking towards the AEC will cause high competition and flow of goods, services, investment, funds, and labors. However, quality of good of the neighboring countries are lower than Thailand which may harm Thai customers (Rojanasumapong, 2014) Nowadays, the SMEs face marketing problems because of the lack of market analysis, and SWOT analysis (Ismael, 2014; Subpot, 2014a; Subpot, 2014b) as well as the lack of clear marketing strategy and the lack of marketing research and the use of ICT, electronic media and innovation to know the changing behaviour and need of the customers, the lack of information about competitors, all of these are the main obstacles for Thai SMEs. They lack publicity skills on market information to the entrepreneurs (Boonritlukana, 2014;

Chokesakulnimit, 2014; Wittiyakornkul, 2014) so the government needs to support SMEs in marketing to increase ability to compete.

The stakeholders from the private sector focuses on the Thai food image to increase income by using knowledge and experiences to create products that please foreigners while the stakeholders from the public sector focuses on relationship and coordination between the stakeholders. Nowadays, the public sector consists of agencies that work independently, without collaboration between the private and the public sectors (Chokesakulnimit, 2014; Rojanasumapong, 2014). It lacks promotion of innovation to make Thai food unique (Boonritlukana, 2014; Wittiyakornkul, 2014). It lacks the strength in competition and creation of network for growth. It also lacks ways to add value to the products and services and ability to maintain and expand the sales volume (Ismael, 2014; Subpot, 2014a; Subpot, 2014b). So, it expects the government to focus on providing SMEs with knowledge strategic management especially the government's role in coordination, control, monitoring, and sharing related information.

The concerns about political instability have caused inconsistency in SMEs development (Chokesakulnimit, 2014; Ismael, 2014; Subpot, 2014a; Subpot, 2014b). Without collaboration among government agencies each of which works autonomously, these agencies are not be useful for SMEs and cannot fully support SMEs (Boonritlukana, 2014; Rojanasumapong, 2014; Subpot, 2014a; Wittiyakornkul, 2014). SMEs lack in-depth information about markets or customers and competitors. With the rapid change in consumption, they lack distributors both inside and outside the country. They lack market opportunities such as procurement in the public sector and channels for marketing by themselves as well as and chances allies and places to exhibit their products (Boonritlukana, 2014; Chokesakulnimit, 2014; Wittiyakornkul, 2014).

5.2.3 Ways to Solve Problems, Obstacles, and Concerns

The company needs to adjust its management, improve the organization, to be cope with the changing situation, i.e. the economic, politics, technology, ICT, and communication dynamic forces (Boonritlukana, 2014; Chokesakulnimit, 2014; Wuttikornyakul, 2014). The company needs to develop its HR, strategy, organization

and innovation to prepare for competition as well as to add value to the products by creating unique and outstanding products and networks, and collaborating with the public enterprises and the other enterprises private in promoting SMEs (Ismael, 2014; Rojanasumapong, 2014; Subpot, 2014a; Subpot, 2014b).

5.2.4 Ways to Manage the Business to Enter the AEC

Most companies choice to export their goods to ASEAN countries. At present, the company exports 10% of the goods to Singapore, Malaysia, China, and Japan and to modern trade supermarkets in Thailand (Boonritlukana, 2014; Chokesakulnimit, 2014; Rojanasumapong, 2014; Subpot, 2014a; Wuttiyakornkul, 2014). The company is not ready to get licensing for the franchise business and investment because it lacks marketing information. (Boonritlukana, 2014; Chokesakulnimit, 2014; Wuttiyakornkul, 2014). So, the government needs to help SMEs find the markets to help increase their ability to compete in the future.

5.2.5 Recommendations

The government should impose regulations with honesty, transparency, and seriousness in directly and indirectly spreading information, especially its policy and SMEs plan for the benefit of SMEs. The government agencies should act as coordinators to promote SMEs and all the government agencies concerned all work collaboratively. Also, the logistic system should be improved (Boonritlukana, 2014; Chokesakulnimit, 2014; Rojanasumapong, 2014; Subpot, 2014a; Wuttiyakornkul, 2014) in order to strengthen trading, investment, tourism, employment and build communication network in ASEAN to bring prosperity to community (Ismael, 2014; Subpot, 2014a; Subpot, 2014b). This increases trade, investment and the quality of life. The public agencies should find the markets and facilitate SMEs with ICT, electronics media, and innovation. The food industry must focus on standards and safety in all the processes for the safety of the consumers and on taste, which is secondary to safety, to meet the need of the consumers.

The public sector need to coordinate with private sector to learn about problems, obstacles, and needs. SMEs must improve their strategy to achieve sustainable development.

5.3 Potential of Thai SMEs Towards the AEC

The research found different factors which the stakeholders mentioned as follows: 1) the macro-environmental forces, 2) the macro-environment of Thai SMEs competition, and 3) ability of SMEs in terms of strategic management. The concerns of the stakeholders in SMEs promotion policy during the implementation of all SMEs promotion plans were as follows: 1) political instability, 2) lack of coordination in SMEs management, and 3) lack of in-depth marketing information

The AEC will not only strengthen the ability of the SMEs group in the country but also give a the chance to trade and invest in the region, while the AEC decreases obstacles on the flow of goods, services, investment, fund, and labor, it will increase competition. So the SMEs have to adapt to change by being prepared to reduce the negative effects the AEC may cause and to take full advantage of the opportunity.

5.3.1 Approach Adjustment Strategy

1) Manufacturing process and trading strategies should be strengthened. The manufacturing cycle should be created to exchange knowledge, information, and experience among the SMEs. They should import materials in the AEC countries to process food so that they will have advantage of low price and high quality. The study about the manufacturing base transfer should be done to move businesses to the country that the cost of the production is not high because the low wage of labor in that country. This will solve the problem of labor shortage too.

2) The business should be improved to meet international standards.

3) Food safety and food traceability are necessary and the laboratory needs to be established to conduct R&D to show the responsibility to the consumers.

4) The trend and the need of the AEC consumers must be studied in order to create various and trendy products to meet their needs so that the market can be expanded. There need to be value added in all the production cycle and the cost should be reduced by applying science, technology, ICT, and innovation in all manufacturing processes.

5) The market in the AEC will be open to everyone to create advantages over competitors. Thai SME entrepreneurs need to find some effective

marketing strategy and their own brands and images and communicate them to the market to create trust and identity.

6) Manufacturers in Thailand should form groups or cluster and build a network outside the country as well. The logistic networks be organized to improve the SMEs systems.

5.3.2 Defensive Adjustment Strategy

1) Recent technology should be used in manufacturing processes and value should be added to the products and price competition should be avoided. The management should find some way to reduce costs and increase productivity. The organizational commitment needs to be created to prevent skilled labor to quit the company. SMEs need to apply the HR management strategy efficiently to increase the commitment of the employees as well as learning more about the competitors by using the SWOT analysis. They should adjust themselves to the situation and reduce their weaknesses. Apart from competing with the AEC countries, SMEs are facing with countries in the ASEAN+3 and the ASEAN+6, which are China, Japan, South Korea, India, Australia, and New Zealand.

2) The SMEs should develop their products to meet the international standards. Related knowledge should be shared among those in the same business.

3) There should be an inspection system in and a laboratory for R&D and to test the products to ensure their quality and safety.

4) Adding value to the goods and services are necessary and customers should be made to have loyalty to the brand. The entrepreneurs that create their brand themselves should always study the marketing behaviour to produce products that meet the need of the market and to build the trust in products and services by using, knowledge, technology, and innovation in the production processes.

5) Giving knowledge and understanding to the manufacturers in the supply chain is necessary in order to help them produce quality products and give services that are internationally accepted.

6) Strengthening the collaboration to share technology and knowledge among the group members in the industry such as the best practice in order to reduce costs, solve problems, and adapt to the customers' needs. A collaborative network

needs to be created to increase a chance for joint-venture in production. Also the logistic system needs to be improved for convenience in goods transportation.

5.3.3 The summary of the potential of the potential SMEs and general SMEs

SMEs potential analysis in food industry can be summarized as follows: Table 5.1 presents the potential of the potential SMEs, while Table 5.2 presents the potential of the general SMEs.

Table 5.1 The Summary of the Potential of the Potential SMEs

SMEs	Types	Success Strategies	Standards	Safety	Value added and Innovation	Marketing	Coordination for the AEC
1. Porntip (Phuket) Company Ltd.	Fishery products	Adaptability, eco-friendly, innovation and image building	GMP, HACCP, HALAL and ISO 9001-2008	FDA Approved Work and analysis result certificate	Khao San Crispy Fish and Durian powder drink (innovation)	Public relation, advertisement, and branding	Export
2. Siam Southern Foodline Company Ltd.	Fishery products	Honesty, Safety and standard	GMP, HACCP and HALAL	FDA Approved and poison test	Ching Chang Crispy Fish	Image building and branding	Export
3. Tia Nge Hiang (Chao Sua) Company Ltd.	Livestock products	Commitment, honesty, value added and innovation	GMP, HACCP and HALAL	FDA Approved and poison test	Khao Tung Moo Yong	Branding and market expanding	Export
4. Sunshine International Company Ltd.	Processed canned and processed fruit and vegetable products	Coordination, attention, carefulness, collaboration, Safety and standard	GMP, HACCP, HALAL and ISO 9001-2008	Food Safety approved, FDA Approved and poison test	Freeze Dried Durian	Good public relation and branding	Export and investment

Table 5.1 (Continued)

SMEs	Types	Success Strategies	Standards	Safety	Value added and Innovation	Marketing	Coordination for the AEC
5. Fruit Tech Company Ltd.	Processed canned and processed fruit and vegetable products	Learning, Doing the best, Eco-friendly and Business ally building	GAP, GMP and HACCP	Food Safety and FDA Approved	Vacuum Fried Banana	Product presentation and service and public relation	Export
6. J.M. Food Industry Company Ltd.	Processed rice, cereal, flour and instant food products	Learning, development, adjustment, creative, united, and coordination	GMP, HACCP, HALAL and ISO 9001-2000	Food Safety, Safe Food Good Health, FDA Approved and Hazardous Substanees - Free Food	Chicken Green Curry	Proper price, public relation, and advertisement	Export and franchise
7. Xongdur Thai Organic Food Company Ltd.	Processed rice, cereal, flour and instant food products	Development, learning, creative, image building, innovation building, and wisdom	GMP, HACCP, HALAL, Organic Agriculture standard and Organic Farming Standard from EU	FDA Approved Humidity test and culture germs test	Organic Grain Cereal Bar (innovation)	proper product and service presentation branding and packaging	Export
8. Nithi Foods Company Ltd.	Processed rice, cereal, flour and instant food products	Assessment, improvement, development, standards, safety, innovation building and eco-friendly	GMP, HACCP, HALAL, ISO 9001-2000, ISO 22000: 2005 and ISO 14001	FDA Approved and poison test	Fried Rice Seasoning (innovation)	Product presentation and service and public relation	Export

Source: Adapted from in-depth interview of the key stakeholders from private sector between November, 2013 and February, 2014.

Table 5.2 The Summary of the Potential of the General SMEs

SMEs	Types	Success Strategies	Standards	Safety	Value added and Innovation	Marketing	Coordination for the AEC
1. P.T. Foods Processing Company Ltd.	Fishery products	Standard, safety, and technology development	GMP, HACCP and HALAL	FDA Approved	Vacuum Fried Fish Skin	Public relation	Export
2. Chaicharern Marine Company Ltd.	Fishery products	Standard, safety, and coordination	GMP, HACCP, HALAL and ISO 22000-2005	FDA Approved	Surimi Grounded Fish Meat	Advertisement and branding	Export
3. I.B.F. HALAL Food Company Ltd.	Livestock products	Standard, safety, and value added	GMP, HACCP and HALAL	FDA Approved	Isan HALAL Sausage	Public relation and branding	Export
4. Hitec Bio (Thailand) Company Ltd.	Processed canned and processed fruit and vegetable products	Standard, safety, image building, and innovation	GAP, GMP, Organic Farming Standard from Thailand and EU	Food Safety and FDA Approved	Organic Longan Tea (innovation)	Public relation and branding	Export
5. Thai Rich Foods Group Company Ltd.	Processed rice, cereal, flour and instant food products	Honesty, standard, safety, image, innovation, and coordination building	GMP, HACCP, HALAL and ISO 22000-2005	FDA Approved	Rice noodles using mechanic power (innovation)	Public relation and proper price	Export

Source: Adapted from focus group of the key stakeholders from private sector in February 2014.

CHAPTER 6

CONCLUSION, DISCUSSION, AND RECOMMENDATIONS

The research gave the authentic details of Thai SMEs development, which reflects the roles of public agencies in promoting SMEs and the strategies in SMEs business management. The researcher applied the findings from the study to formulate the strategic policy framework for strengthening the potential of SMEs toward the AEC, which will benefit the public and the private sectors in their efforts to promote SMEs.

6.1 Research Conclusion

The research results were used to formulate a strategic policy framework for strengthening the potential of SMEs toward the AEC. The SMEs promotion policy is essential for both economy and society. The study examined the implementation of the SMEs promotion policy. It covered the SMEs Promotion Plan No.1 (2002-2006), SMEs Promotion Plan No.2 (2007-2011), and SMEs Promotion Plan No.3 (2012-2016). It analyzed and assessed the outcomes of the SMEs promotion policy implementation from the past to the present, including analyzing and assessing the potential of Thai SMEs toward the AEC in order to propose the strategic policy framework for strengthening the potential of SMEs toward the AEC.

The researcher evaluated the outcome of the SMEs promotion policy (all the SMEs promotions plans from the past to the present) in Thailand by employing the North American Stakeholder Model (Guba & Lincoln, 1989: 40f; Riecken, & Rornch, 1974: 203ff; Weiss 1982a: 18 quoted in Vedung, 1991: 69-70) to find the answers stressing on responsive focusing of the stakeholders in the policy. The researcher assessed the outcomes of the policy by applying qualitative approach using documentary study, in-depth interview, and focus group with the stakeholders, to ascertain their problems and concerns. The data were then put into categories and

examined the accuracy of the data using the triangulation method. The conclusions, in the form of SWOT summary tables, were then presented to the stakeholders from the private and the public sectors to verify its accuracy.

The research concluded that the roles of the stakeholders in the private and the public sectors, in implementing the SMEs promotion policy (all the SMEs promotion plans) affected the outcome of the policy. The public agencies that carry out the policy were many ministries. However, in this study, the researcher selected only the agencies are mainly responsible for formulating the policy, and enforce the regulations to promote and facilitate SMEs. These agencies were, for example, The Office of SMEs Promotion, the Ministry of Industry, the Ministry of Commerce, the SME Bank, and the EXIM Bank etc. These agencies dealt with stakeholders from the private sector whose roles are to initiate businesses and are investors in the food industry business. They created outstanding products that represent Thai identity and are well known abroad.

The Office of SMEs Promotion is the agency that is directly responsible for the SMEs promotion. It is responsible for formulator, controller, and regulator the SMEs policy, as well as coordinating with other agencies to make sure that the policy is implemented successfully. The Ministry of Industry acts as a policy facilitator whose role is to support industrial products. The Ministry of Commerce which is responsible for the end of the supply chain is the agency that is supporter in proactive strategy, catalyst, and challenger. The SME Bank is a source of capital for SMEs and so is the EXIM Bank.

The research has found that the Office of SMEs Promotion combines a model plan and the SMEs promotion action plans to promote SMEs. After the plans were formulated, a meeting was organized for all the agencies and institutions in the public and the private sectors to be notified about the plans. However, since many agencies did not participate in the policy formulation process, they are not committed to the plans.

The analysis and evaluation of the outcome of the SMEs promotion policy implementation in Thailand revealed that the promotion of SMEs of the public sector focused solely on the SMEs development in the manufacturing sector. However, there was limitation in 1) budget, knowledge development, expertise, and the understanding

about the needs of SMEs of the public and the private sectors' stakeholders were overlooked 2) in setting the direction of management, promotion, and development these aspects have not been incorporated 3) the public and the private sectors lack the integrated systematic management to support SMEs in the central and regional areas. That's why the SMEs promotion policy cannot be accomplished.

The Malcolm Baldrige National Quality Award (MBNQA) approach (National Institute of Standard and Technology, 2006) and manufacturing standard were applied in the analysis and evaluation of the potential SMEs which consists of 1) Leadership, 2) Strategic planning, 3) Customer and market focus, 4) Measurement, analysis and knowledge management, 5) Human resource focus, 6) Process management, and 7) Results. The manufacturing standard was analyzed in 4 dimensions: 1) Good Agriculture Practices (GAP), 2) Good Manufacturing Practice (GMP), 3) Hazard Analysis Critical Control Points (HACCP), and 4) Halal standard including food safety which was analyzed in 4 parts as follows: 1) Food Safety Label, 2) Safe Food Good Health Label, 3) Food and Drug Label, and 4) Quality control for Hazardous Substance-Free Food Label to reveal the potential of Thai SMEs toward the AEC. As for SMEs, the private sector, the study of the SMEs stakeholders in the food industry was done in 4 groups of: 1) fishery products, 2) livestock products, 3) canned and processed fruit and vegetable products, and 4) rice, cereal, flour and instant food products. The SMEs studied were those registered as corporates and received SMEs National Awards, and the others were general SMEs.

The potential SMEs were analyzed in following areas: 1) Leadership, 2. Strategic planning, 3) Customer and market focus, 4) Measurement, analysis and knowledge management, 5) Human resource focus, 6) Process management, 7) Results, 8) Food manufacturing standards, and 9) Food safety. The study revealed that general SMEs have had some problems in access to: 1) in-depth marketing information, 2) technology development, innovation, and research to add value to food, 3) development and understanding of continued networking, and 4) realization and recognition of good governance in business.

The potential of the SMEs can be strengthened when the ASEAN market becomes a single market and production base which allows the free flowing of goods, services, investment, fund, and skilled labor. Such a flow will affect the industry

directly and indirectly. Thai goods are better than those in other ASEAN's countries, although some industries need to adjust themselves for higher competition. Thai SMEs have potential in many areas, such as: 1) Most resources can be found within the country, 2) Most Thai goods reached the international standards, 3) Most entrepreneurs possess managerial skills to run business successfully the success factors are management quality, international standards, safety, value added, marketing, and collaborative network, 4) The business covers all upstream, midstreams downstream of the food industry, 5) The AEC free trade will benefit fishery and agricultural product manufacturers in Thailand, 6) The Thai government has the "Kitchen of the World" policy, so it encourages Thai SMEs to invest in food industry in other ASEAN countries. The factors that will help Thai food industry successful in approach and defensive methods by serious cooperation are :1) Management quality, 2) International standards, 3) Safety, 4) Value added, 5) Marketing, and 6) Collaborative network.

6.2 Discussion

The results from the analysis and evaluation of the policy outcomes and the potential of SMEs reflected the potential of the private sector in Thailand. Especially the potential SMEs have important roles in initiating SMEs businesses. They are direct competitors in business created innovative products and highlighted the outstanding of the Thai products along with supported the market. Public agencies act as the formulator and controller of the policy as well as promote and facilitate SMEs. SMEs and food highlights SMEs products are exceptional and safe, and Thailand is the "Kitchen of the World". The private sector relies on its own market network with the help of the Office of SMEs promotion.

Public agencies have a role in promoting SMEs. One of them is The Office of SMEs Promotion which is directly responsible to promote SMEs. It is responsible for formulating, regulating and implementing the SMEs policy, as well as coordinating with other agencies to make sure that the policy is successfully carried out. It acts as a policy facilitator whose role is to support and promote industrial products. The Ministry of Commerce and the Ministry of Industry are responsible for the end of the

supply chain. All the afore-mentioned are the agencies that promote Thai products by collaborating with the Foreign Trade Department, the Department of International Trade Promotion, and the Department of Business Development. The SME Bank and the EXIM Bank are sources of the capital for SMEs.

The stakeholders in the SMEs promotion policy from the private sector are people who run businesses. They have initiated innovative products and networks. The food SMEs stakeholders under the study were divided into 4 groups: 1) fishery products, 2) livestock products, 3) canned and processed fruit and vegetable products, and 4) rice, cereal, flour and instant food products. Most SMEs in the study were registered as corporates and received SMEs National Awards and others were general SMEs.

This research used the SMEs promotion policy by analyzing the implementation of the SMEs Promotion Plan No.1 (2002-2006), SMEs Promotion Plan No.2 (2007-2011), and SMEs Promotion Plan No.3 (2012-2016) to study Kaplan and Norton's (2008: 51) Balanced Scorecard. It conducted SWOT analysis of the SMEs promotion policy and the implementation of outcomes. The roles of stakeholders in both the public and the private sectors were assessed by employing the North American Stakeholder Model (Guba, & Lincoln, 1989: 40f; Riecken, & Romch, 1974: 203ff; Weiss, 1982a: 18 quoted in Vedung, 1991: 69-70) to find out the concerns of the stakeholders in the policy both in the public and the private sectors.

The Malcolm Baldrige National Quality Award (MBNQA) approach (National Institute of Standard and Technology, 2006) and manufacturing standards were applied in analysis and evaluation of the SMEs potential. The first measurement consists of: 1) Leadership, 2) Strategic planning, 3) Customer and market focus, 4) Measurement, analysis and knowledge management, 5) Human resource focus, 6) Process management, and 7) Results. The manufacturing standard focused on 4 dimensions: 1) Good Agriculture Practices (GAP), 2) Good Manufacturing Practice (GMP), 3) Hazard Analysis Critical Control Points (HACCP), and 4) Halal standard including food safety was analyzed by considering: 1) Food Safety Label, 2) Safe Food Good Health Label, 3) Food and Drug Label, and 4) Quality control for Hazardous Substance-Free Food Label. In the study, the SMEs food stakeholders were divided into 4 groups: 1) fishery products, 2) livestock products, 3) canned and processed fruit and vegetable

products, and 4) rice, cereal, flour and instant food products. The analysis was aimed at finding out if these SMEs are ready for the AEC.

The results of the study summarized the SWOT analysis on the roles of the stakeholders in the public and the private sectors and the concerns of SMEs revealed that the policy was not successful because of the lack of continuous coordination, support, and promotion by the government. The government did not assign any particular organization or agency to fully responsible for the implementation of the policy. There was no collaboration between the federal government and regional agencies. Therefore, no specific organization was assigned to responsible for integrating strategies together and serious policy implementation to strengthen the potential of SMEs so that they could grow when ASEAN becomes a single market and production base. In fact, most Thai SMEs in the food industry have potential and advantage over other countries because Thailand is abundant in resources and materials and their products meet the standard, are safe, and they are accepted by the consumers inside and outside the country. Besides, Thai entrepreneurs are skillful and able to run businesses successfully. The business covers all upstream, midstream, downstream of the food industry. The AEC free trade will benefit the food industry in Thailand since the Thai government has the “Kitchen of the World” policy so it supports entrepreneurs to invest in other countries. And Thailand has an advantage over other ASEAN countries. The factors that will help Thai food industry successful are: 1) Management quality, 2) International standards, 3) Safety, 4) Value added, 5) Marketing, and 6) Collaborative network.

The government policy and SMEs promotion plans are important parts in promoting SMEs, which produce products and services from folk wisdom. The Office of SMEs Promotion has an important role in promoting the market and in building Thai SMEs’ image and in making their brands well known among foreigners. The products and services also reached the international standard (Suwapanich, 2013; Svasti-Xuto, 2013). Thai food is popular in Asia and in the West. It attracts tourists to Thailand and there are Thai restaurants in many countries (Jiwattanapaiboon, 2014b; Liu, 2014; Piamwiwatkul, 2014).

The research found out that the government did not assign any particular organization or agency to act as a coordinator for government agencies all over

Thailand. No specific organization was assigned to responsible for integrating strategies together for effective policy implementation. Therefore, the researcher can summarize the issues and concerns of the stakeholders in the public and the private sectors to show the findings from SMEs promotion policy analysis and evaluation and potential evaluation of SMEs in Thailand to prepare for ACE. The issues and concerns of the public and the private sectors' key stakeholders are shown in Figure 6.1. They were derived from the interviews between November 2013 and February 2014.

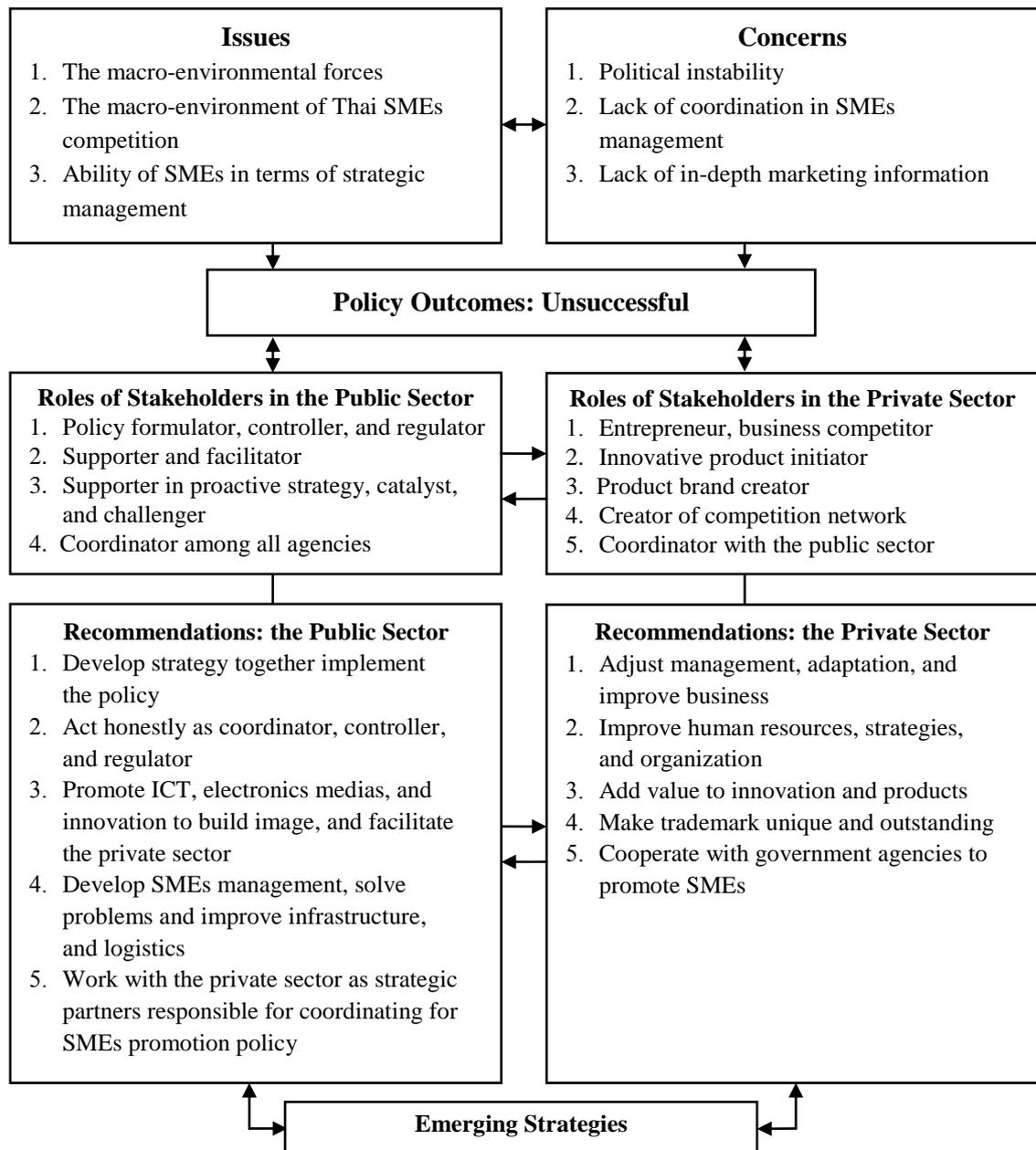


Figure 6.1 Findings from the Analysis and Evaluation of the SMEs Promotion Policy Outcomes and the Potential of Thai SMEs Toward the AEC: Issues and Concerns of Stakeholders Summary

Source: Adapted from in-depth interview and focus group of the key stakeholders between November, 2013 and February, 2014.

6.3 Formulation of the Strategic Planning in Promoting SMEs in the Food Industry

The SMEs Promotion Policy is important for the sustainability of SMEs, which create productivity, national revenue, jobs, and products. The strategies that were revealed in the research were to adapt and to create economic values in line with the Sufficiency Economy theory. The government should review the SMEs promotion policy and apply the Kaplan & Norton (2008) approach to plan strategy to promote SMEs. SMEs entrepreneurs should use intangible assets and intangible elements to create new products. The government agencies should work together with communities by using Information and Communication Technology (ICT) to promote marketing, disseminate necessary information, and to improve their management. The government must first improve infrastructure and the logistic system to support the different businesses.

The SMEs promotion policy involves the work of public agencies. The ability of SMEs to compete in the private sector depends on the environment of the SMEs communities which are important success as the environment will attract customers and tourists. The collaboration between the public and the private sectors is vital to success of SMEs in the food industry, so both sectors have to collaborate in formulating strategies as stakeholders in the policy. Besides, the government should encourage SME businesses to invent innovative products. The researcher found out that the successful SMEs businesses are those successful in management and creation of trademarks and brands that are well known internationally. The entrepreneurs that received awards have potential and outstanding management in every aspect. These businesses have market networks and rarely rely on the government. Therefore, the government should encourage Thai SMEs to build an image that is well known in the market by helping them expand the customer base, create the uniqueness of the products, as well as building allied networks, even though there is a language barrier.

The government should encourage SMEs in all the regions, communities, and districts to use local materials to make the products to attract customers and tourists. The government should assign a major agency whose employees and system are ready to work to be the coordinator for all agencies to develop strategies together, and to

give knowledge to SME entrepreneurs in all areas, and to create business networks. Both the public and the private sectors should train their employees about nature and environment.

The government is supposed to be supporter and facilitator of SME business and draws customers and tourists to Thailand. The law and regulations need to be appropriately amended to cope with the need and the situation. Because Thailand is a famous tourist attraction, the government can promote SMEs in the food industry more and develop SMEs infrastructure as well as intangible assets which are the communities' capital, such as culture, folk wisdom, and identity. The public and the private sectors should work hand in hand in strategic planning to accomplish the goals. The government should be a facilitator for the entrepreneurs in the provinces. It should encourage SMEs to apply sufficiency economy theory to do business by recognizing the importance of the good governance in business.

When the AEC is officially established, Thailand will experience change since industries in the country will be in the open system instead of the closed system. Every country can trade freely, especially SMEs in the food industry. The study summarizes the potential analysis of food industry in Thailand in the AEC, as shown in Table 6.1.

Table 6.1 The Summary of the Analysis of the Potential of Food Industry of Thailand in the AEC

Industry	Potential	Limitations
Food	<ol style="list-style-type: none"> 1. Most resources can be found within the country. 2. Most Thai goods reached the international standards. 3. Most entrepreneurs possess managerial skills to run business successfully the success factors are management quality, international standards, safety, value added, marketing, and collaborative network. 4. The business covers all upstream, midstream, downstream of the food industry. 5. The AEC free trade will benefit fishery and agricultural product manufacturers in Thailand. 6. The Thai government has the “Kitchen of the World” policy, so it encourages Thai SMEs to invest in food industry in other ASEAN countries. 	<ol style="list-style-type: none"> 1. Lack of in-depth marketing information 2. Lack of technology development, innovation, and research to add value to food industry 3. Lack of development and understanding of continued networking 4. Lack of realization and recognition of good governance in business

Source: Adapted from in-depth interview and focus group of the key stakeholders between November, 2013 and February, 2014.

The research studied the strategic partners that promoted the food industry upstream, midstream, and downstream businesses preparing to enter the AEC (The Office of SMEs Promotion, 2012b).

The strategic partners in vision and strategy execution in the public sector are the Office of SMEs Promotion, the Ministry of Industry, the Ministry of Commerce, and SME Bank, EXIM Bank, government banks, public schools and colleges, research institutions. The strategic partners in the private sector are entrepreneurs, local communities, and private research institutions. The strategic partners in other countries in the AEC are those in farming, fishery, and livestock businesses. The countries are the Philippines (farm plants and tuna), Indonesia (palm oil, coffee, and seafood), Cambodia (rice, farm plants, Laos (plants, fresh water fishery), Vietnam (rice, coffee), and Myanmar (fishery food). Processing food such as Indonesia (palm oil, coffee, and seafood), Vietnam (coffee and rice), Cambodia (rice, plants, a fresh water fishery), Brunei (rice), and Singapore (rice), Vietnam, Cambodia, Indonesia, Malaysia, and the Philippines (restaurants and hotels).

In general, the research found out that the midstream and downstream businesses of the food industry in Thailand are strong and have potential to be able to get the main markets in ASEAN and outside of ASEAN. They will also benefit from the free market and investment. The following are the summary of the results of the analysis on the roles of strategic partners in increasing the positive chances and preparing for the negative effects of SMEs in the food industry as seen in Table 6.2.

Table 6.2 The Results of the Analysis of Creation of Strategic Partners to Increase Positive Chances and Prepare for Negative Effects of SMEs in the Food Industry

Priority	Upstream Industry	Midstream Industry	Downstream Industry
1. The need for partners	Finding raw materials in ASEAN countries	Expanding the manufacturing base and markets to ASEAN countries	Promoting sales and investment in restaurant and hotel business in ASEAN countries
2. Important strategic partner countries	Philippines, Indonesia, Vietnam, Myanmar, Cambodia, and Laos	Vietnam, Cambodia, Brunei, Indonesia, and Singapore	Vietnam, Cambodia, Indonesia, Malaysia, and Philippines

Source: Adapted from in-depth interview and focus group of the key stakeholders between November, 2013 and February, 2014.

The analysis and evaluation of SMEs promotion policy and analysis and evaluation of SMEs' potential to prepare for the AEC can be used for formulating food industry the SMEs promotion strategy (Table 6.3).

Table 6.3 Summary of Promotion Strategy for SMEs in the Food Industry

Strategy	Public	Private (SMEs)
Strategy 1 Promote and increase the quality of management for survival	✓ Develop management and coordination	✓ Develop management strengths
Strategy 2 Reaching the international standard reliable and transparent	✓ Giving Knowledge and Increase standard	✓ Develop standardized business
Strategy 3 Focus on safety to build trust and show accountability to the consumers	✓ Giving knowledge in food safety	✓ Build trust in consumers
Strategy 4 Improve the products by adding value and applying the knowledge in science, technology, and ICT, and innovation to improve the products continuously	✓ Integrate science knowledge, ICT, communications, and innovation	✓ Add value to innovation
Strategy 5 Create a unique trademark and an acceptable image in the world	✓ Giving in-depth information in marketing	✓ Build a good image and a professional trademark
Strategy 6 Support coordinative networking inside and outside the country	✓ Build a coordinative network	✓ Participate in building the network in and outside country

Source: Adapted from in-depth interview and focus group of the key stakeholders between November, 2013 and February, 2014.

SMEs in the food industry in Thailand have enough potential to expand to other countries and to be choices for the manufacturers, consumers, and investors; therefore, the government should create a strategic plan using Kaplan & Norton's (2008: 37) approach and implement the plan in line with the Thai environment by following steps of strategic planning:

1) Show clear vision. by determining missions and the core value of the policy to accomplish the objectives, or purposes, including methods need to promote SMEs in the food industry. The strategic plan should consist of 1) Vision, value, or core value of policy, 2) Phrase or sentence showing vision, and 3) Adjustment of strategy

2) Develop strategy. Before implementing the policy to implement, the policy maker in the public and the private sectors should have enough information for the decision making and planning. In studying the policy and plans for SMEs in the food industry, the secondary data collected were from the in-depth interview of the stakeholders from both the public and the private sectors. The data on Thai SMEs environment should be used in 1) Strategic analysis, and 2) Strategy formulation

3) Translate strategy into plans. In translating the SMEs promotion strategy into plans, there should be brainstorming of ideas from the public agencies related to the policy and the private sector, SMEs entrepreneurs in the food industry by 1) Determining strategic action plans, and 2) determining objectives and evaluating the strategy for implementation and outcomes

4) Develop plans in accordance with the strategy. In developing the plans in line with the strategy, it is necessary to know what needs to be done in order to accomplish the objectives. The plan should be set by 1) Initiating strategic operation, 2) Budgeting or funding for the strategic operation, and 3) Delegating accountabilities

5) Strategic plan for the SMEs promotion consists of the strategy which the public and the private sectors can use. After doing all the processes mentioned, the strategic plans need to be adjusted and methods combined for the public and the private sectors involved in the SMEs promotion will be in the same direction.

The researcher presented the strategic framework to formulate the SMEs in food industry promotion strategic planning (Figure 6.2)

Vision: Kitchen of the World: International Standards of Well-being Gourmet Paradise

Missions: Upgrade the management quality all over the supply chain and develop the connection between standard, safety, value added, marketing, and create collaborative networks with entrepreneurs in the food industry

Objectives: 1) To enable the upstream, midstream, downstream businesses to survive sustainably, 2) To seek standard approval for more enterprises, 3) To build trust and increase export volume of Thai food, 4) To increase income to the entrepreneurs, 5) To make Thai food internationally accepted in terms of quality, image and identity, and 6) To build networks and the facilitating center for entrepreneurs in the food industry

Strategies: Strategy 1 Promote and increase the quality of management to survive and be sustainably competitive by using following strategies: 1) Developing strength in manufacturing, from materials and production processes to marketing and sales, 2) Manage to connect production chain with quality to exchange data, knowledge, and experience, and 3) Develop the entrepreneurs' management skills, so that they know how to reduce costs and increase productivity to meet the customs need

Strategy 2 Reach the international standard of reliability and transparency by using the following strategies: 1) Promoting and developing the business to receive international standards, and 2) Giving knowledge to improve the manufacturing standard throughout the supply chain

Strategy 3 Focus on the safety to build trust and show accountability to the consumers by using the following strategies: 1) Giving knowledge on food safety and food traceability, and 2) Having a laboratory for R&D and test and approve Thai quality standards

Strategy 4 Add value and integrate the knowledge in science, technology, and ICT, and innovation to improve the products continuously by using the following strategies: 1) Create value added throughout the production chain to reduce costs, and 2) Integrate knowledge in science, technology, and ICT, and manufacturing

innovation in every process, in other words, to bring technological knowledge and innovation to solve the problem of labor cost and labor shortage

Strategy 5 Create a unique trademark and an acceptable image in the world by using the following strategies: 1) Building the image of the products by communicating to the market systematically using marketing tools and professional public relations, and 2) Developing knowledge and understanding of the manufacturers throughout the supply chain so that they will realize the importance of products that receive international standards and that are safe for the consumers

Strategy 6 Support and create a coordinative network inside and outside Thailand to build international economic connections by using following strategies: 1) Promoting the manufacturers grouping in organization that has a system both in and outside the country such as cooperative and association including cluster grouping and ally network, 2) Taking care of material price throughout the processing products processes to harmonize with the AEC, 3) Creating mechanism to protect trade measures trouble that caused by the AEC, 4) Develop network, communication, and the AEC food information, and 5) Develop and adjust logistics system inside and outside the country

The public agencies, or those directly involved in promotion of SMEs in the food industry can apply the strategic framework to formulate a strategic plan to promote SMEs in the food industry or to improve the policy and strategy under the SMEs promotion plans to help SMEs to adapt to the market tendency and the changing society and situation, including strengthening their potential to be competitive in the country and at international level for the benefit of the national economy and society as a whole.

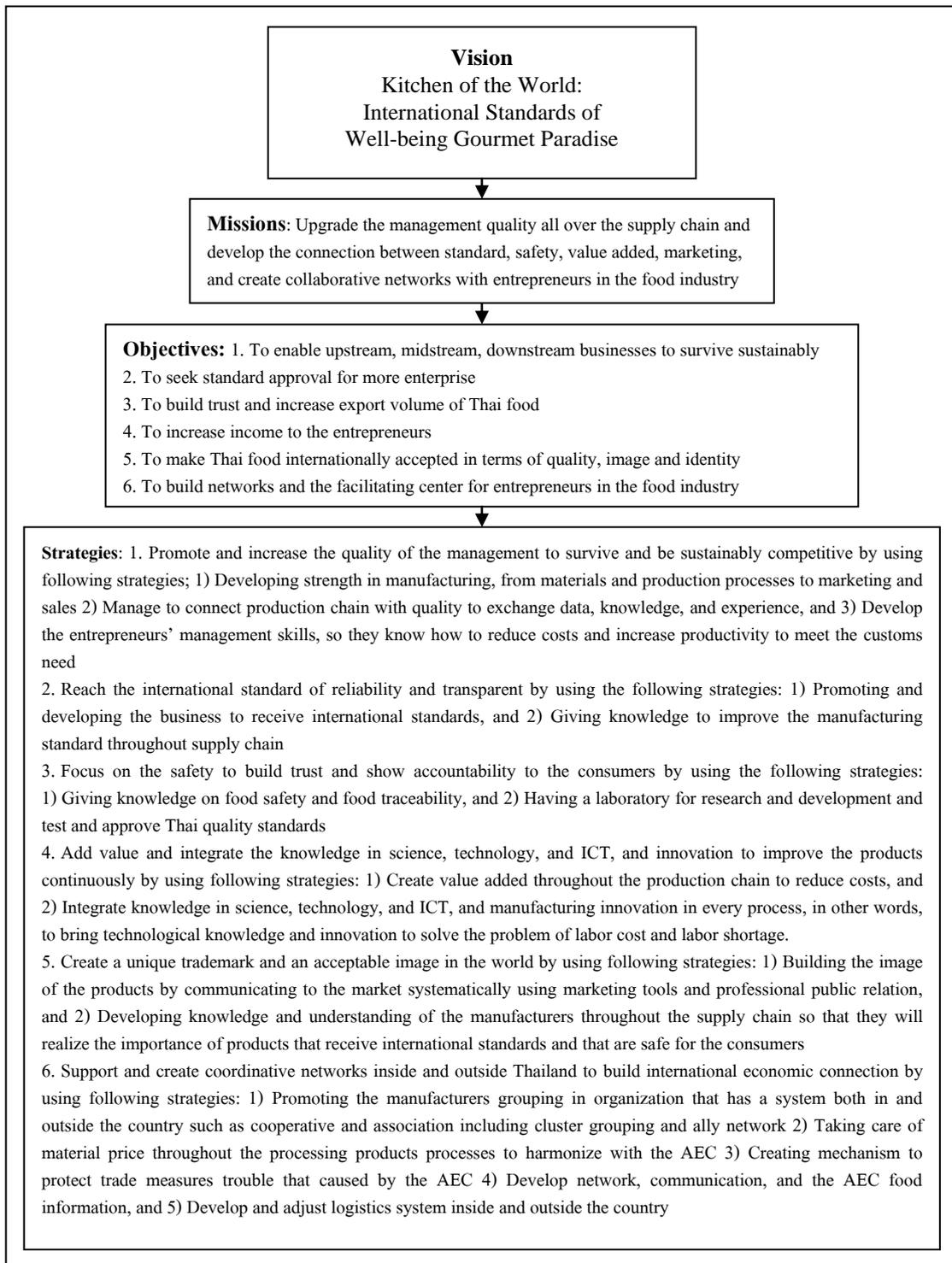


Figure 6.2 Strategic Framework to Formulate the SMEs in Food Industry Promotion Strategic Planning

Source: Adapted from in-depth interview and focus group of the key stakeholders between November, 2013 and February, 2014.

6.4 Strategic Framework Formulation

In formulating the strategic framework, the roles of the public and the private sectors in collaboratively promoting SMEs were considered. Both sectors should work hand in hand and should find experts to formulate the strategic policy framework. The government should allow other agencies and stakeholders to participate in formulating the policy and strategies concerning SMEs. They can be representatives from the public and the private sectors and from communities which have natural resources and the environment perfect for developing SMEs businesses. Everybody involved should discuss how to generate a vision, a mission, objectives, and strategies.

The researcher has found that there are many different agencies and institutions that promoted SMEs businesses; however, each organization works independently without collaboration; although coordination among these agencies is necessary to help promote SMEs in the same direction. The agencies such as the Office of SMEs Promotion, the Ministry of Industry, the Ministry of Commerce, SME Bank, EXIM Bank, and so on. need to work together to promote SMEs to prepare them for the AEC.

The research revealed that the SMEs promotion policy and all the SMEs promotion plans, the model plan and action plans contained very broad contents and were all formulated by the officers from The Office of SMEs Promotion only. Since the policy wasn't originated from other agencies, it wasn't carried out as efficiently as it was supposed to be.

The researcher used the findings to create a strategic policy framework for strengthening the potential of SMEs toward the AEC as shown in figure 6.3 and proposed that the government should establish a center in the Office of SMEs Promotion that coordinates different organizations to implement the SMEs policy and to make measurable outcomes. In order to fulfill the missions of the strategic plans, the stakeholders in the public sector must focus on applying the sufficiency economy theory, and the AEC principles, and coordinates seriously in performing duties, and must assign power to the leader of the organization to make proper decisions and to

exercise good governance to create equilibrium in the policy formulating process and implementation. (UNESCAP, 2012)

The governance theory, according to the UNESCAP, consists of 1) Accountability, 2) Transparency, 3) Responsiveness, 4) Equity and Inclusiveness, 5) Effectiveness and Efficiency, 6) Follows the Rule of Law, 7) Participation, and 8) Consensus Orientation. The policy of the government should follow the governance concept. That is, the government agencies should act as facilitators to SMEs.

The stakeholders in the private sector should focus on constructive economy and knowledge-based economy. They should abide by the governance concept and should have moral capacity to create equilibrium. The entrepreneurs have to compete with each other across the country. So there should be collaboration among agencies to give an opportunity to small entrepreneurs and people in the communities to use local capital to create innovative products, which will benefit SMEs. In bringing intangible assets to increase values the public profit must be considered. That is, the identity of the communities and environment must not be destroyed. This is development based on equilibrium to prepare for change.

Therefore, the stakeholders in the public and the private sectors should set the: 1) Vision, 2) Mission, 3) Objective, 4) Strategy which will consist of the following agencies: 1) Policy agency, 2) Operation agency, and 3) Support agency in order to support strategies, measures, and activities to promote SMEs. The coordination office needs to be established under the direction of The Office of SMEs Promotion by applying matrix management to communicate throughout the horizontal and vertical administrative lines. Management and responsibility should be separated, so that the operation will be quick, transparent, and up to date and meet the international standard. As a result, these agencies can adjust themselves to the changes and can control the costs of the operational processes and act as coordinators when there are many activities involved. They can also reduce the bureaucratic system (Robbins, 1990). The leaders or the stakeholders inside and outside of The Office of SMEs Promotion that influence the accomplishment of the project based working group must delegate certain duties by setting timelines and using the resources to the greatest benefit. The HR should be flexible, efficient, and coordinate in the policy network with the strategic partners or the stakeholders who influence the strategies

inside and outside the country. The committee will hold meetings to discuss issues related to SMEs. It will coordinate with organizations that the members represent in order to link activities from all agencies. The committee must know the strategies approach and defensive methods of SMEs in various aspects to promote SMEs collectively. Then it reports the progress of each organization and evaluate the measurable outcome of the strategies. So, the SMEs promotion activities will be done efficiently in accordance with the SMEs strategy of the nation. Coordination and reduction of redundancy will benefit both the public and the private sectors responsible for formulate and update the SMEs promotion strategy to be competitive in the international arena.

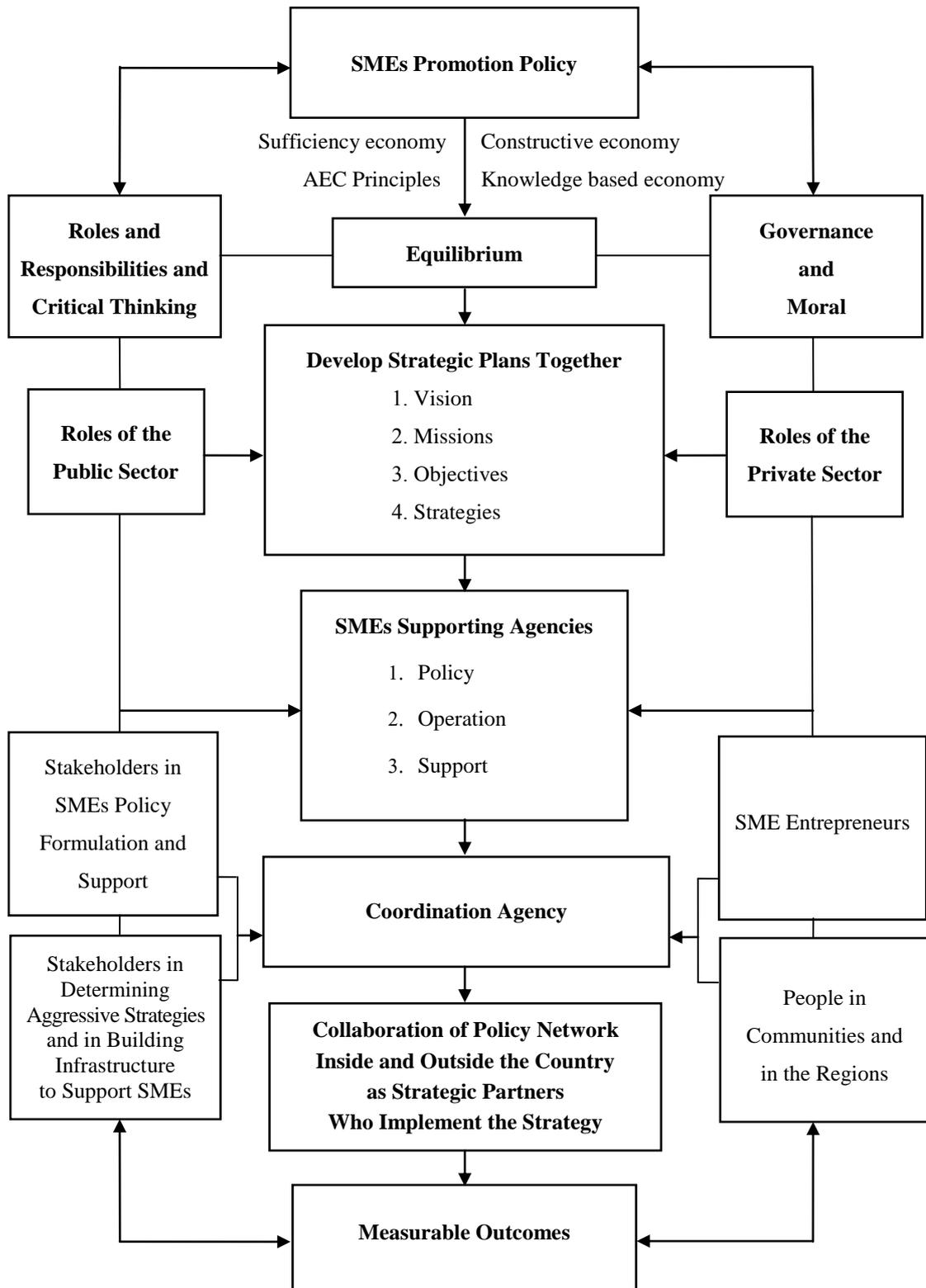


Figure 6.3 Strategic Policy Framework for Strengthening the Potential of SMEs Toward the AEC

6.5 Recommendation on Policy and Recommendations for Further Research

6.5.1 Policy Recommendations

In order to accomplish the goals in promoting SMEs, the public agencies should coordinate with each other and pay close attention to the SMEs promotion policy. The following are the things the government should do to support SMEs:

1) The government should recognize the importance of the environment which must be good for the development of SMEs. It should develop the national centralized SMEs database to serve as the SMEs center. This center will provide data vital to the SMEs promotion policy formulation and will help in setting direction for SMEs development. The public and the private sectors should work closely as strategic partners. With this center, the public agencies can share data efficiently with the same data passcode and data information. Also, the center can serve as a databank for the private sector in the form of one stop service for all data related to SMEs. The following are the ways to help develop SMEs in the food industry:

(1) The database should have the information from all SMEs to efficiently develop food quality testing services with one stop service.

(2) Knowledge and skills should be given to food entrepreneurs to follow the standards, measures, laws, regulations, and privileges of international agreements.

(3) Some regulations which are obstacles to the operation should be reviewed to increase competition in the present and in the future. The regulations should facilitate SMEs in competition inside and outside the country. The public and the private sectors should collaborate in setting the policy and strategy.

(4) SMEs' ability to compete, technology needed, and know-how knowledge should be analyzed. The rules and regulations of the ASEAN countries and commitments under the free trade and investment in the AEC should be studied more.

2) The main coordinative agency should be established to promote SMEs and build a collaboration network with the strategic partners who have roles in implementing the strategies inside and outside the country. The coordination committee should be organized, which consists of those who are representatives from

other agencies in the public and the private sectors. The committee is responsible for giving consultation, coordinate with the stakeholders and adjust the strategies in order to connect activities from all agencies and evaluate the measurable outcome of the strategies. This will reduce overlapping work because of the lack of collaboration among public agencies. The public and the private sectors should work hand in hand in formulating strategic planning and implementing the SMEs promotion policy. Collaboration in the public and the private sectors is necessary both in Bangkok and the surrounding provinces. Evaluation tools should be developed and help implementing the strategies in the same direction to increase SMEs' ability to compete. The following are methods to develop SMEs in the food industry:

(1) The main coordination agency should be established which will be mainly responsible for controlling the implementation of strategy in developing the potential of SMEs in competition and developing a basic infrastructure to increase the capability of SMEs. The established agency should focus on strategic planning and developing entrepreneurs in export businesses and help them form a network in exchanging information constantly. It should also give information about food that affects health, society, and economy to the public and to formulate national and regional policies.

(2) The agriculture and food production processes should be developed to produce safe products throughout the supply chain. The public and the private sectors should join together to determine the minimum standards and to encourage the manufacturers to follow the measures and to create and develop knowledge, skills, and recognition for the consumers' safety.

3) The administrators and officers responsible for SMEs need to work honestly and earnestly, and should be knowledgeable and comprehensible about the issues, problems, obstacles, concerns, and real needs of SMEs. The government agencies, local administration agencies, state enterprises, and private enterprises must recognize the importance of Human Resource Development (HRD) so that the employees with have a good knowledge and understanding of SMEs and others vital to handle changes, including understanding of the direction of the SMEs promotion policy. This should be established to provide the HRD institutions related to the SMEs promotion meets the need of SMEs. Therefore, the region and local

communities should coordinate in formulating policy and develop strategy as a group to support each other in the supply chain of SMEs. Logistics and substituted energy need to be developed to connect big businesses to community businesses to join a group as cooperatives to develop business and collaborate with schools, research institutes, financial institutes, public agencies, and private agencies to strengthen the SMEs. The following are methods development operations for SMEs in the food industry:

(1) Those whose work is to promote SMEs should undergo training so that they must work honestly and seriously, must be knowledgeable and understand about the needs of the private sectors.

(2) The material security system should be developed to have manufacturers organize the activities that will connect the supply chain between agriculture and the private sectors to strengthen SMEs.

(3) Production and marketing for food and agriculture products should be facilitated to drive businesses by focusing on developing the logistic system efficiently and promoting the use of alternative energy, including finance, and R&D.

4) The government must have a clear policy to promote SMEs continuously. In order to increase the potential of SMEs, especially to improve the management quality, to create innovation, and to create brands, the government can support them by increasing the efficiency of the public agencies serving SMEs. It should encourage SMEs to build brand loyalty, develop sub-brands for new products, and to share in-depth market information. The government should support the cluster of SMEs by having an action plan to support the production chain throughout the upstream, midstream, and downstream among industries such as agriculture, industry, tourism, service, education by collaborate together in all levels and be transparent and professional, so that SMEs can increase their capability for constructive competition. The following are the summary of the operational methods in developing SMEs in the food industry:

(1) Upgrading the production standard for factories. The quality of manufacturing management should be increased to build trust in the consumers that the products are safe and good for health. This also entails improving management quality, innovation, branding, and export markets including the review of the source of materials.

(2) Developing the product designs that meet the need of the market inside and outside of the country by integrating research and systematic food development. Creating an R&D network which will be developed into an in-depth market database to support cluster businesses and invest in food industry materials produced in Thailand and neighboring countries and the products must meet the standard in order to promote a good image of Thai food.

(3) Entrepreneurs who seek business opportunities should be helped production chain with quality and standard of goods and services of SMEs by creating collaboration to add value to be competitive in the region.

5) The public and the private sectors in charge of developing SMEs should receive adequate and constant resources that corresponds with the SMEs promotion plan and should use Information and Communication Technology (ICT), electronic media, telecommunication, and innovation to create system that will help develop human resource, management, and marketing promotion for SMEs. All banks that support SMEs should use tools to control management for the entrepreneurs in order to help them grow and help indicate if there are financial problems to eliminate debt problems. The private sector needs to use ICT, cyber marketing, and online marketing to support their own business in this era of social network and social media. The government must give knowledge and training to SMEs concerning how to use social network applications and electronic medias for the benefit of SMEs. These new tools need to be utilized by the public and the private sectors. The following are methods for development operations for SMEs in the food industry:

(1) The government should give support concerning ICT, electronic media, telecommunications, and innovation in human resource development system, management, and marketing promotion. Tools to control management of strengthening SMEs to compete in the AEC.

(2) ICT and other communication channels should be developed focusing on publicizing Thailand as a source of standardized products, promoting Thai food export and developing marketing channels such as online sales. Products should be categorized so that the consumers can choose what suits their needs. The approach marketing strategy should be used to seek new business opportunities and build the customers' trust in the products and services, which will build a good image of Thai goods in the world.

6.5.2 Recommendation for Further Research

1) Strategic policy framework for strengthening the potential of SMEs to upgrade the competence of the entrepreneurs in conducting research as well as developing and using technology and innovation in harmony with sufficiency economy theory. Further studies should focus on the capability of SME entrepreneurs in each industry to do research and to develop and use technology and innovation in harmony with sufficiency economy theory. The key informants should come from all parties concerned and the number of the key informants from each industry should be large enough to obtain more views and broader knowledge about the competence of entrepreneurs in each industry.

2) Strategic policy framework for strengthening the potential of SMEs in building coordinative networks in ASEAN. The study should focus on the environment that is accepted as a coordinative network from all parties in ASEAN. Also, the measures resulting from the cooperation between the public and the private sectors that can cope with changing situations in ASEAN should be investigated. Comparative research should be conducted to increase knowledge on network building in each country in ASEAN which will bring about measures and methods used to solve problems.

3) Strategic policy framework for strengthening the potential of SMEs in increasing the ability to compete in the international stage. The study should focus on SMEs performance, which can reveal their ability to compete across the border. The findings will help to find some way to increase the competence of SMEs entrepreneurs. Besides, they will can help to build the trade and investment database which can be accessed by entrepreneurs, business people, and investors. The database will also be useful in evaluating the feasibility in investment. Entrepreneurs may use the database to look for an opportunity to find new markets. This will strengthen the potential of SMEs, making them achieve sustainable development.

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APPENDICES

APPENDIX A

**TOPICS FOR INTERVIEWING STAKEHOLDERS
IN THE PUBLIC SECTOR**

Topic: Strategic policy framework for strengthening the potential of SMEs toward the AEC

1. SMEs promotion policy of Thailand in the SMEs Promotion Plan Nos.1-3 especially Plan No.3 (2012-2016) and strengths, weaknesses, opportunities, and threats of SMEs in food industry in Financial Perspective or Stakeholders Perspective, Customer Perspective, Process Perspective, Learning and Growth Perspective.
2. The roles and responsibilities of stakeholders in implementing the SMEs promotion policy (SMEs Promotion Plan Nos.1-3).
3. Issues, problems, obstacles, and concerns of stakeholders in implementing the SMEs promotion policy.
4. Results of, the SMEs promotion policy implementation (the implementation of the SMEs Promotion Plan Nos.1-3) and the tendency of SMEs promotion policy.
5. The operation in promoting potential and capability of SMEs in food industry to compete at the international, national, and local levels, especially in exportation, licensing, franchising, and investment.
6. Coordination and collaboration with other government agencies.
7. Coordination and collaboration with stakeholders from the private sector to carry out the SMEs promotion policy and expectations.
8. Suggestions about formulating strategies and other suggestions to promote SMEs to do business at the international, national, and local levels.

APPENDIX B

**TOPICS FOR INTERVIEWING STAKEHOLDERS
IN THE PRIVATE SECTOR**

Topic: Strategic policy framework for strengthening the potential of SMEs toward the AEC

1. Thailand's SMEs promotion policy with the SMEs Promotion Plan Nos.1-3 especially Plan No.3 (2012-2016) and strengths, weaknesses, opportunities, and threats of SMEs in food industry in Financial Perspective or Stakeholders Perspective, Customer Perspective, Process Perspective, Learning and Growth Perspective.

2. Activities and businesses of SMEs in food industry to enter the AEC.

3. Problems, obstacles, and concerns of the stakeholders (public agencies concerned and SMEs in food industry) in implementing SMEs promotion policy toward the AEC.

4. Results of, the SMEs promotion policy implementation, (the implementation of the SMEs Promotion Plan Nos.1-3) and the tendency of SMEs promotion policy.

5. The private sector's perspective of SMEs business in food industry and opinions about the roles of public agencies concerned and the roles of private enterprises in the following aspects:

- Participation in policy formulation
- Promotion and encouragement for entrepreneurs to increase their capability to compete
- Promotion and support of the use of ICT for management
- Initiation of new products or innovations
- Creating uniqueness to the trademark
- Forming clusters and networking
- Coordination

All these will increase the ability of Thai SMEs food industry to compete in the AEC.

6. Activities SMEs have to promote their products to enter the AEC.

7. The advantages of SMEs in food industry are as follows:

- Leadership
- Strategic Planning
- Customer and Market Focus
- Measurement, Analysis and Knowledge Management

- Human Resource Focus
- Process Management
- Results
- Performance of SMEs
- Manufacturing standards such as GAP, GMP, HACCP and HALAL
- Food Safety Label, Safe Food Good Health Label, Food and Drug Label, and Quality Control for Hazardous Substance - Free Foods Label

All of them lead to success and awards.

8. Ways to operate SMEs toward the AEC (export, licensing, franchise, and investment) and suggestions on measures and the policy to promote SMEs in food industry toward the AEC.

9. Suggestions on strategy formulation and others to increase SMEs' ability to compete and coordination between, the public and the private stakeholders in Thai food industry to promote SMEs at the international, national, and local levels.

APPENDIX C

TOPICS FOR FOCUS GROUP OF STAKEHOLDERS IN THE PRIVATE SECTOR

Topic: Strategic policy framework for strengthening the potential of SMEs toward the AEC

1. Thailand's SMEs promotion policy of Thailand in the SMEs Promotion Plan Nos.1-3 especially Plan No.3 (2012-2016) and strengths, weaknesses, opportunities, and threats of SMEs in food industry Financial Perspective, or Stakeholders Perspective, Customer Perspective, Process Perspective, Learning and Growth Perspective.

2. Activities and businesses of SMEs in food industry toward the AEC.

3. Problems, obstacles, and concerns of the stakeholders (public agencies and SMEs in food industry) in SMEs promotion policy toward the AEC.

4. Ways to solve issues, problems, obstacles, and concerns about SMEs promotion policy implementation by government agencies and SMEs in food industry toward the AEC.

5. Results of SMEs promotion policy implementation (the implementation of the SMEs Promotion Plan Nos.1-3) and the tendency of SMEs promotion policy.

6. The Private sectors perspective of SMEs business in food industry and opinions about the roles public agencies and private enterprises in the following aspects:

- Participation in policy formulation
- Promotion and encouragement for entrepreneurs to increase their capability to compete
 - Promotion and the use of ICT for management
 - Initiation of new products or innovations
 - Creating uniqueness to the trademark
 - Forming in clusters and networking
 - Coordination

All of them will increase the ability of Thai SMEs in food industry to compete in the AEC.

7. SMEs business have process to build and promote activities and products of SMEs to enter the AEC.

8. The outstanding characteristics of management of SMEs food industry are as follows:

- Leadership
- Strategic Planning
- Customer and Market Focus
- Measurement, Analysis and Knowledge Management
- Human Resource Focus
- Process Management
- Results
- Performance of SMEs
- Manufacturing standards such as GAP, GMP, HACCP and HALAL
- Food Safety Label, Safe Food Good Health Label, Food and Drug Label, and Quality Control for Hazardous Substance - Free Foods Label
- Food Safety Label, Safe Food Good Health Label, Food and Drug Label and Quality Control for Hazardous Substance - Free Foods Sign

All of them lead to success and awards.

9. Ways to operate SMEs toward the AEC (export, licensing, franchise, and investment) and suggestions on measures and the policy to promote SMEs in food industry toward the AEC.

10. Suggestions on strategy formulation and others to increase SMEs' potential and ability to compete and coordination between the public and the private stakeholders in Thai food industry to promote SMEs at the international, national, and local levels.

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